

Exhibit 3

1 IN THE UNITED STATES BANKRUPTCY COURT

2 FOR THE SOUTHERN DISTRICT OF TEXAS

3 HOUSTON DIVISION

4 IN RE: § CASE NO. 20-33948-11
5 § JOINTLY ADMINISTERED
6 § HOUSTON, TEXAS
7 § THURSDAY,
8 § JUNE 24, 2021
9 § 1:30 P.M. TO 3:50 P.M.
10 DEBTOR.

11 CONFIRMATION HEARING DAY FOUR (VIA ZOOM)

12 BEFORE THE HONORABLE MARVIN ISGUR
13 UNITED STATES BANKRUPTCY JUDGE

14 APPEARANCES: SEE NEXT PAGE

15 (Recorded via CourtSpeak; no log notes)

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(Please also see Electronic Appearances.)

1 HOUSTON, TEXAS; THURSDAY, JUNE 24, 2021; 1:30 P.M.

2 THE COURT: All right, we're returning to the
3 Fieldwood Energy Confirmation Hearing, 20-33948.
4 Mr. Carlson, if you would press five star on your phone,
5 please.

6 (Pause in the proceedings.)

7 THE COURT: All right, good afternoon,
8 Mr. Carlson. Can you give me a status report on where we
9 are?

10 MR. CARLSON: Yes, Your Honor. Good afternoon,
11 Cliff Carlson on behalf of Fieldwood. Your Honor, we've
12 been hard at work over the past 12 hours or so working
13 through a number of objections and language to be added to
14 the Confirmation Order.

15 And we've made a ton of progress and think that
16 we're pretty close and that this hearing should be pretty
17 streamlined with only a few discreet issues that might be
18 open.

19 And we did file -- not long before this hearing --
20 filed an amended Chapter 11 Plan and amended proposed
21 Confirmation Order.

22 The Amended Plan was filed at docket number 1716
23 with the redline at 1719. And the Confirmation Order at
24 1718 and believe a redline should be hitting of the
25 Confirmation Order within the next few minutes.

1 THE COURT: So how do you propose that we proceed?

2 MR. CARLSON: I think we can start with going
3 through the changes that we made to the Plan to address the
4 Court's concerns regarding the exculpation provision, which
5 is just a few changes so it should be pretty brief.

6 And hopefully by that, we can then turn to the
7 Confirmation Order and run through the redline with the
8 Court as well, discuss the changes we made --

9 THE COURT: Are you aware --

10 MR. CARLSON: -- in the agreement.

11 THE COURT: Excuse me, I didn't mean to interrupt
12 you. Are you aware of any objections that have not been
13 resolved at this point to the form of the Confirmation
14 Order?

15 MR. CARLSON: There are a few parties, that I
16 think, will want to see the final language and they may have
17 concerns or such light modifications to the language that
18 we've made some changes in real time and that we've
19 uploaded. But I think by in large to the extent that we
20 haven't addressed them, we can during this hearing.

21 THE COURT: Okay.

22 (Pause in the proceedings.)

23 THE COURT: All right. So I've got 1719 up on the
24 screen.

25 MR. CARLSON: If you -- the first change is on

1 page 11 of the redline.

2 THE COURT: I don't know if -- hold on let me be
3 sure I've got a redline.

4 (Pause in the proceedings.)

5 THE COURT: Where would I find the redline?

6 MR. CARLSON: It should be ECF number 1719.

7 THE COURT: So maybe this is redline, let's see.
8 Okay, got it. Okay.

9 MR. CARLSON: So, Your Honor, on page 19, we have
10 clarified that the additional predecessor agreements are
11 limited to -- post petition agreements that are entered into
12 in connection with our Plan and included as part of the Plan
13 supplement documents to remove any doubt that pre-petition
14 agreements would somehow get picked up in the exculpation
15 provision.

16 And then we made sort of the same change here in
17 the additional predecessor agreement documents definition as
18 well.

19 THE COURT: All right.

20 MR. CARLSON: And the second change we made was to
21 the exculpation provision itself, which is on page -- if you
22 turn to page 97, which is Section 10.8.

23 (Pause in the proceedings.)

24 MR. CARLSON: It looks like you'll see here, Your
25 Honor, we've added a provision or we've added language at

1 the end of this provision to make clear that the exculpation
2 is limited to the holding and In re Pacific Lumber and that
3 the Court will retain exclusive jurisdiction to determine
4 any issues that arise regarding the scope of exculpation.

5 (Pause in the proceedings.)

6 THE COURT: All right. Hold on.

7 Mr. Scharfenberg?

8 MR. SCHARFENBERG: Yeah, good morning, Your Honor.

9 I might have an issue with the change on page 11 to
10 additional predecessor agreement. I just got this, but at
11 least the way I'm reading it, it would apply to any type of
12 additional agreement entered into prior to or on the
13 confirmation date.

14 And as long as additional predecessor agreement is
15 limited to the ones we know about -- Chevron, any in the
16 hunt -- I don't have an issue with it, but I don't know what
17 else is there or what kind of affect it would have.

18 Just doing a quick control F through the document,
19 it looks like arguably it might, you know, there might be
20 some exculpation implications, you know, when it comes to
21 that. And I know that in the Confirmation Order there's a
22 finding of good faith for any additional predecessor
23 agreement. And if there hasn't been any evidence introduced
24 at trial as to these existence which might or might not be
25 in existence or filed later.

1 You know, we would just want to be able to
2 analyze --

3 THE COURT: If it's simply added in there sort of
4 a comma that says, "of which notice has been filed or given
5 as of 1:37 p.m. on June 24th, 2021" would that resolve that
6 question?

7 MR. SCHARFENBERG: Fantastic. That resolves my
8 issue, Your Honor.

9 THE COURT: And does that cause any heartburn to
10 you, Mr. Carlson?

11 MR. CARLSON: It does not. And just to clarify
12 just for folks, the only remaining additional predecessor
13 agreement is the one with Hunt, which we are intending to
14 file -- execute and file hopefully later today -- that
15 should be. So that's the only remaining additional
16 predecessor agreement.

17 THE COURT: So why don't you fix those definitions
18 to take into account anything of which notice has been given
19 or that has been filed as of 1:37 p.m. on June 24th, 2021
20 and the Hunt Agreement, a draft of which has been
21 circulated. Something to that effect.

22 MR. CARLSON: Yes, we're happy to do that, Your
23 Honor.

24 THE COURT: Okay.

25 (Pause in the proceedings.)

1 MR. CARLSON: So, Your Honor, that's the totality
2 of the changes that we made to the Plan. I know there have
3 been -- there have been discussions up until just the moment
4 this hearing started on clarifying changes in Section 513 of
5 the Plan that the sureties have raised and I think probably
6 want to address.

7 I don't know if now is the appropriate time to do
8 that. It's not reflected in what we filed, but there have
9 been ongoing discussions. I just don't think the language
10 has been agreed by everyone yet.

11 THE COURT: And will that be language that would
12 go in the Plan or would that be language that would go in
13 the Confirmation Order?

14 MR. CARLSON: That would be language in the Plan
15 in Section 513.

16 (Pause in the proceedings.)

17 THE COURT: Mr. Perez, good afternoon.

18 MR. PEREZ: Your Honor, this is Alfredo Perez.
19 Your Honor, with respect to the definition of predecessor.
20 Obviously we're perfectly fine with the comment the Court
21 made. But, you know, it will take a little bit of time to
22 implement this Plan. And we would obviously love to have
23 more predecessor deals so long as we're not precluded from
24 coming back to the Court to do that.

25 I think it -- I'm fine with that. But I certainly

1 don't want to be precluded.

2 THE COURT: I think that's fine. But why don't --
3 then let's not, then, amend the Plan again. Let's include
4 language in the Confirmation Order that says notwithstanding
5 anything in the Plan those agreements are limited to the
6 following matters. You know, matters for -- that have been
7 filed of record of which notice have been given. The Hunt
8 Agreement and any other matter subsequently filed for which
9 the Court has given it's approval.

10 And we can put all that in a Confirmation Order
11 and accomplish the same thing, I think. Does that work?

12 Mr. Scharfenberg, let me make sure that same
13 concept works for you so long as we're doing it that way. I
14 think it meets the principal.

15 MR. SCHARFENBERG: That concept works. Yeah, we
16 just want an opportunity to review and really understand
17 what's been put up.

18 THE COURT: Mr. Kuebel?

19 (Pause in the proceedings.)

20 THE COURT: Mr. Keubel? I think you have your own
21 line muted.

22 MR. KEUBEL: Oh, I'm sorry, Your Honor. Omer
23 Keubel, III. For this issue, McMoran Oil and Gas. Your
24 Honor's proposed solution is acceptable for us. This is an
25 issue that we've looked at.

1 I think when we sent comments over to the Debtor
2 on this provision, we had even suggested that instead of the
3 petition date we could go out to the effective date.
4 Obviously, as a predecessor that has exchanged term sheets
5 back and forth with the Debtor but hasn't reached a final
6 agreement like some of the others.

7 So I do think that Mr. Perez is right that there's
8 a contemplation both with the debt, my clients and probably
9 Government that some of the other smaller predecessor
10 agreements can be reached between now and the time the plan
11 goes effective.

12 And so I think Your Honor's proposed solution on
13 how to keep the door open to do that works for everyone.

14 THE COURT: Okay, good. Thank you. So, what is
15 the best way then to address the 5.13 problems until we get
16 some new language? Do you want to move to everything else
17 and we'll come back to 5.13 in a few minutes?

18 Or do people want to raise Plan objections right
19 now? I've told everyone if their problems aren't worked
20 out, you can -- you're free to raise objections today. So
21 if anyone wants to raise the objection instead of trying to
22 keep working on language, that's fine.

23 But if you want to wait and see if the language
24 really does get finalized under 5.13 that's fine too.
25 People are being pretty quiet, Mr. Carlson.

1 Why don't we leave 5.13 behind and we'll come back
2 to it?

3 MR. CARLSON: That works.

4 THE COURT: Okay, where do you want to go next?

5 MR. CARLSON: Well I think we can turn to the
6 Confirmation Order and I'm hoping a redline was filed. Let
7 me just check to see.

8 (Pause in the proceedings.)

9 MR. CARLSON: That was filed at 1720.

10 THE COURT: All right.

11 (Pause in the proceedings.)

12 MR. CARLSON: Your Honor, I'm happy to proceed
13 either by doing a page flip or we can organize it
14 differently and go by objecting party and perhaps maybe
15 start with various objecting parties, like BP or we can flip
16 through. It's up to the Court on how to proceed there.

17 THE COURT: So, it's probably better for me to do
18 a page flip and better for them to do it by party. So we'll
19 do what's better for me. How's that?

20 MR. CARLSON: That works for us.

21 THE COURT: All right. And then if any party
22 needs to go back over it, you know, we'll do that as much as
23 people need. But I really need to see it, I think, in a
24 bigger context, so.

25 (Pause in the proceedings.)

1 THE COURT: I'm leaving it up to you to tell me
2 where to go, Mr. Carlson.

3 MR. CARLSON: So I think the first sort of
4 substantive change here would be --

5 (Pause in the proceedings.)

6 MR. CARLSON: This should be non-controversial but
7 it's O -- actually I'm sorry, it's M, the good faith
8 section. This is definitional what we define Plan documents
9 broadly and that'll be used later on.

10 THE COURT: Hold on. So I may be on the wrong
11 page. There was representative of the states has been added
12 in. Is that before or after where we're going?

13 MR. CARLSON: That is actually -- we'll start
14 there.

15 THE COURT: Okay.

16 (Pause in the proceedings.)

17 MR. CARLSON: So this was a provision added to
18 finding these plan administrators, Risen Powers. Not aware
19 of any issues raised with respect to this, but.

20 (Pause in the proceedings.)

21 THE COURT: All right.

22 (Pause in the proceedings.)

23 MR. CARLSON: And here we define Plan documents
24 broadly to make sure we can -- we capture everything and
25 that'll be used throughout.

1 THE COURT: Okay.

2 MR. CARLSON: In Section O here, we are simply
3 just carving out the field with one subsidiaries from the
4 Plan Administrators obligations and role. And indicating
5 that John Grannel Services (phonetic) is the officer and
6 director, manager.

7 (Pause in the proceedings.)

8 MR. CARLSON: Section KK is the next change.

9 (Pause in the proceedings.)

10 MR. CARLSON: But I don't believe there's been any
11 issues with that language. And so we made that same change
12 in the next few paragraphs here you'll see.

13 THE COURT: Right. Okay.

14 (Pause in the proceedings.)

15 MR. CARLSON: And X, that's the next, that's the
16 application provision we added some language here consistent
17 with the Court's ruling on limiting it to the Pacific Lumber
18 and Mid-Atlantic ruling.

19 (Pause in the proceedings.)

20 THE COURT: All right.

21 (Pause in the proceedings.)

22 MR. CARLSON: I believe paragraph 21 is the next
23 stop where -- let's see. This is the same language.

24 (Pause in the proceedings.)

25 THE COURT: All right.

1 (Pause in the proceedings.)

2 MR. CARLSON: This matches the same change we had
3 in the recitals that --

4 THE COURT: All right.

5 (Pause in the proceedings.)

6 MR. CARLSON: On the next page, Your Honor,
7 starting in paragraph 38, we have a number of counter
8 parties that were in discussion with regarding cure amounts.
9 And so we've listed out the parties that we've adjourned
10 their cure objections for. And we've added additional
11 parties since the previous version that was filed.

12 (Pause in the proceedings.)

13 THE COURT: Okay. And with respect to those, just
14 to be sure that I'm on the same page as you are. We decide
15 the cure amount, the Plan will be effective no matter what
16 amount we decide.

17 The amount we decide may alter your decision about
18 whether you're going to assume a contract. But that's it in
19 terms of where the range of latitude is. Is that fairly the
20 way this is written?

21 MR. CARLSON: That's correct. That's how I
22 understand it.

23 THE COURT: Okay. All right.

24 (Pause in the proceedings.)

25 MR. CARLSON: And then starting in paragraph 60 is

1 where we start to have the negotiated inserts for each of
2 the various parties. And we can --

3 (Pause in the proceedings.)

4 MR. CARLSON: And starting with Anadarko. The
5 Debtors have resolve with Anadarko under Mr. Greendyke or
6 Mr. Bruner as to the best resolves all issues with Anadarko.

7 Next we go to Ecopetrol and Ridgewood, which has
8 also been agree with counsel for each of those parties.

9 (Pause in the proceedings.)

10 THE COURT: I don't see any change in the
11 Ecopetrol language. Did it occur in the prior version?

12 MR. CARLSON: It was. It was attached in the
13 prior version, that's right.

14 THE COURT: Okay. Hold on. Mr. Greendyke?

15 MR. GREENDYKE: good afternoon, Judge. Bill
16 Greendyke, Norton Rose Fulbright on behalf of Anadarko
17 Petroleum Corporation and Anadarko US Offshore.

18 I just wanted to confirm what Mr. Carlson had said
19 that we've got an agreement on the language.

20 THE COURT: Mr. Greendyke, thank you.

21 MR. GREENDYKE: Thank you, Judge.

22 (Pause in the proceedings.)

23 THE COURT: Mr. Singer?

24 MR. SINGER: Good, Judge. Kelly Singer on behalf
25 of Ecopetrol. I felt the necessity to extend the courtesy

1 in saying the same thing. We have agreed on it and the
2 explanation for paragraph 65 is notwithstanding what's
3 happening with the credit bid document or I'm sorry with the
4 credit bid purchase agreement, the access facilities.

5 Our security interest and our rights in the
6 security interest including the priority are just being
7 reserved for right now. There's a question that -- as to
8 whether or not our interest are actually senior to all the
9 vendors involved here.

10 And so, all those issues are just being reserved
11 at this point. Hopefully it doesn't make any difference as
12 we move on in the future.

13 THE COURT: Thank you, Mr. Singer. All right, so
14 now we're on Ridgewood.

15 MR. CARLSON: That's Mr. Fishel's client. Same, I
16 understand Ridgewood signed off on that.

17 THE COURT: Okay.

18 MR. CARLSON: At paragraph 68, this is
19 Mr. Skelton's client. Houston Energy and Red Willow. We
20 have agreed to some additional language in this paragraph
21 that was agreed just a few minutes before the call that will
22 be reflected in a further revised.

23 But understand that we are in agreement now with
24 Mr. Skelton on those changes.

25 THE COURT: And, Mr. Baay?

1 MR. BAAY: Yes. Thank you, Your Honor. We are
2 getting to my paragraph -- I'm in paragraph 70 so I was just
3 raising my hand for when we get there.

4 THE COURT: All right. Do you want to go ahead
5 and read to me the language you've agreed to with
6 Mr. Skelton's client, Mr. Carlson, so we know whether
7 there's, in fact, an agreement?

8 MR. CARLSON: Sure. So it is -- let me just pull
9 it up here. At the very end, we add, "including any
10 indemnification reimbursement allegations that may arise
11 from the alleged names and claims of among others the
12 Atlantic Maritime Services LLC alleged liens, claims and
13 potential litigation against Fieldwood Energy, LLC and among
14 other HEDV and ROW in this Bankruptcy Court and the United
15 States District Court for the Eastern District of Louisiana.
16 Nothing herein shall be deemed an admission by any party
17 that any such liens and claims against Fieldwood Energy are
18 valid or enforceable."

19 THE COURT: Thank you. And does anyone object to
20 these provisions with that addition?

21 (No audible response.)

22 THE COURT: All right.

23 (Pause in the proceedings.)

24 THE COURT: So footnote five will come out, right?

25 MR. CARLSON: Correct.

1 THE COURT: Okay.

2 (Pause in the proceedings.)

3 MR. CARLSON: So then I think from there we go to
4 Mr. Baay's client, Westerngeco. Where we've bracketed the
5 date, the July 14, 2021 date. If you scroll up to
6 paragraph 70.

7 (Pause in the proceedings.)

8 THE COURT: And you say that's bracketed because?

9 MR. CARLSON: We're working with Westerngeco to
10 finalize an arrangement for the use of the seismic data
11 here. And this provision is intended just to keep the
12 status quo. We're not assuming or rejecting these
13 agreements under the Confirmation Order and intend to
14 finalize that agreement.

15 And I think the -- I think Mr. Baay will tell you
16 that they would like that date to be sooner than July 14th.
17 But I'll let Mr. Baay speak to that. And if --

18 THE COURT: Mr. Baay.

19 MR. BAAY: Your Honor, John Baay for Westerngeco.
20 The reason why -- we had originally agreed back at the
21 beginning of June to this language and a June 30th deadline.

22 And then we got the revision, we saw July 14th.
23 And the reason that June 30th is important because it
24 enables them to recognize revenue in this quarter and that's
25 important from a commercial standpoint for these guys.

1 My understanding is that the agreements have been
2 essentially agreed to. So I don't think there's anything
3 that's going to prevent that from happening. I would prefer
4 to keep the July 30th deadline in there and sort of keep
5 everybody's feet to the fire and hope that we can get
6 everything done.

7 I don't see a reason why it can't be done.
8 There's some issues about proving a gap between when the new
9 entities will be created. But I think we can do that in the
10 document. We just need a signature before June 30th to be
11 able to go forward and book this revenue even though it's
12 not going to be collected for another 30 days.

13 So, that's why the date is important to us. We
14 were hoping we could leave it June 30th and work together to
15 make that happen.

16 THE COURT: What happens under the agreement if we
17 put in June 30 and the deal doesn't get done? Do they have
18 to stop using the data?

19 MR. BAAY: Yes. Yeah, unless we agree otherwise.
20 Yeah, at such later date as may be agreed between and Credit
21 Bid Purchaser and Westerngeco. So, certainly either one of
22 us, I think, from a commercial standpoint wants that to
23 happen, but we would like to at least, you know, keep it --
24 keep everybody working towards the June 30th deadline which
25 we have been working towards since June 2nd when we agreed

1 to this language.

2 And so, you know, --

3 THE COURT: Mr. Baay, can I ask if the following
4 would work and it may not. Put in July 14th, right after
5 where it says, "Westerngeco" put a semicolon and say
6 provided that Fieldwood entities are ordered to use their
7 best efforts to complete the agreement by June 30th of 2021.

8 MR. BAAY: That works, Your Honor. I appreciate
9 it.

10 THE COURT: Mr. Carlson?

11 MR. CARLSON: That works for Fieldwood as well.

12 THE COURT: Okay, let's include that then in the
13 final draft in the Confirmation Order. Thank you.

14 MR. BAAY: Thank you, Judge.

15 THE COURT: Okay.

16 MR. CARLSON: This is a similar arrangement with
17 TGS. I believe we've agreed on this provision as well.

18 MR. BAAY: That's correct, Your Honor. That's
19 also my client. And we have agreed to this document. Thank
20 you.

21 THE COURT: Mr. Baay, I'm going to go ahead and
22 remute your line. Feel free to buzz back in if you need to.

23 MR. BAAY: Thanks, Your Honor. I think I'm done
24 with this.

25 THE COURT: Thank you.

1 MR. BAAY: Thank you.

2 (Pause in the proceedings.)

3 THE COURT: Ms. Williamson? Ms. Williamson, I
4 can't hear you. You might want to see if your own line is
5 muted.

6 MS. WILLIAMSON: Oh. No, Your Honor, I'm not
7 muted. I was raising my hand in connection to paragraph 72.

8 THE COURT: Okay. I think we're going there then,
9 so.

10 (Pause in the proceedings.)

11 THE COURT: Mr. Carlson, Ms. Williamson.
12 Paragraph 72.

13 MR. CARLSON: Yes I had -- I think I -- I believe
14 we're agreed on this paragraph, as well. But Ms. Williamson
15 will correct me if I'm wrong about that.

16 MS. WILLIAMSON: No, Your Honor, we've reached an
17 agreement as to the language in paragraph 72. That resolves
18 Valero's objection.

19 THE COURT: Thank you for the announcement,
20 Ms. Williamson. I'm going to again mute your line and let
21 you click back in if you need to speak again just to try and
22 keep down background noise.

23 MS. WILLIAMSON: Thank you, Your Honor.

24 THE COURT: All right, 73 with Energy Transfer.

25 MR. CARLSON: Yes, this is meant to Ms. Archiyna's

1 client. I believe we're agreed on this as well, but we'll
2 let Ms. Archiyna confirm, if she is on.

3 MS. ARCHIYNA: Good afternoon, Your Honor. Yes, I
4 am confirming that we have reviewed this language, it is
5 acceptable and that resolves our concerns. Thank you very
6 much.

7 THE COURT: Thank you, Ms. Archiyna.

8 (Pause in the proceedings.)

9 MR. CARLSON: So, Your Honor, you'll see the Cox
10 paragraph was deleted, but we have a broader paragraph that
11 applies to several different predecessors in working with
12 interest owners we'll get to later.

13 We do have a discreet -- a separate discussion
14 ongoing with Cox to address the contract issue that we're
15 working through as well.

16 THE COURT: So how will that be addressed today?

17 MR. CARLSON: I think we can -- I think we've
18 agreed on language that I can -- that I'd like to -- I'm not
19 sure we've got -- we've confirmed.

20 THE COURT: I've got Mr. Kind on the phone.
21 Mr. Kind good afternoon.

22 MR. KIND: Good afternoon, Your Honor. I'd like
23 to confirm what Mr. Carlson said. That's all correct, Your
24 Honor. We've got -- reached an agreement to be part of a
25 different paragraph. I think it's new, paragraph 145 or

1 perhaps when we get to there we'll, you know, that will be
2 discussed in more detail. But we agree with the language in
3 that paragraph.

4 And in addition to that, Mr. Carlson and our team
5 have exchanged language just minutes before the hearing that
6 I think we're close to agreement on. That'll resolve some
7 of the set off concerns that we raised with the Debtor's
8 counsel.

9 And I think in the next turn of the redline of the
10 Confirmation Order, we should have -- I'm hopeful we'll have
11 agreed language by then.

12 THE COURT: Mr. Kind, thank you. All right, it
13 sounds like you may need to click back in when we get back
14 down to 145, but I'm going to mute you for now just to be
15 sure that I don't have 100 people at one time.

16 MR. KIND: Sure.

17 THE COURT: All right. Mr. Carlson?

18 MR. CARLSON: This next paragraph, 75, this is --
19 74 and 75 this is language we've agreed to with RLI's
20 counsel. Believe we're agreed on that as well, but Elliott
21 can confirm.

22 MR. SCHARFENBERG: Yes, that is confirmed, thank
23 you.

24 THE COURT: Mr. Scharfenberg, thank you. Okay.

25 MR. CARLSON: And then the same goes, I believe,

1 for the Maritime Claimant's paragraph as well. I'm not sure
2 if counsel is on this call, but I believe we're resolved
3 here as well.

4 THE COURT: If anyone wishes to speak up with
5 respect to the treatment of the Maritime Claimant's under
6 the Confirmation Order, please press five star.

7 (No audible response.)

8 THE COURT: All right, I'll assume that it's okay.

9 (Pause in the proceedings.)

10 MR. CARLSON: And then we've also agreed to
11 language with the State of Texas. I believe it's in Valdez
12 in this paragraph to be resolved there as well.

13 THE COURT: Is there anyone -- there we go.
14 Mr. Williams?

15 MR. WILLIAMS: This is Randy Williams. I was on
16 paragraph 76 confirming that that was the language that the
17 Maritime claimants had agreed to.

18 THE COURT: All right, thank you Mr. Williams. I
19 appreciate the confirmation.

20 MR. WILLIAMS: Thank you.

21 THE COURT: All right, is there anyone here on
22 behalf of the State of Texas or its entities?

23 (No audible response.)

24 THE COURT: Okay, I'm going to assume this
25 language is agreeable to them. If they're not -- oh wait,

1 we do have somebody. Ms. Ryan from the Attorney General's
2 office, in fact.

3 Ms. Ryan, good afternoon.

4 MS. RYAN: Judge, good afternoon Judge Isgur.
5 This is Abigail Ryan on behalf of the Railroad Commission of
6 Texas. Again the Texas tax claims is not my wheel well.
7 Our section does everything non-tax bankruptcy.

8 And so I had nothing to do with the language that
9 is in paragraph 78. And I don't know if we have another AG
10 for this taxing side. I am here, though, to represent the
11 Attorney General and the Railroad Commission if you have any
12 questions, Your Honor.

13 THE COURT: All right, I'm just going to assume
14 this is okay unless, you know, you get somebody -- you can
15 get somebody on to object before we get to the end of the
16 order, but otherwise I assume they've reached agreement as
17 Mr. Carlson has announced. So, I'm going to leave it alone.

18 MS. RYAN: I'll put out an email, Your Honor, to
19 our group and see if anyone has any objections.

20 THE COURT: All right thank you Ms. Ryan. Do you
21 want me to go ahead and remute your line or did you want to
22 stay on for any of the other paragraphs?

23 MS. RYAN: You can remute me. That is fine.
24 Thank you, Your Honor.

25 THE COURT: Thank you. All right, Mr. Carlson?

1 MR. CARLSON: So same goes as I understand for
2 Louisiana, Department of Revenue. We should be resolved
3 with the Louisiana DOR. Counsel's name is escaping me right
4 now, but I should be okay there.

5 THE COURT: I know those folks well. Is there
6 anybody here from LDR?

7 (No audible response.)

8 THE COURT: All right, I'm going to assume that
9 we're okay with them. They participate regularly when they
10 have an issue and I think they'll be fine if they're not
11 here. Okay.

12 MR. CARLSON: So the next set of paragraphs here
13 are the Apache Sureties -- sorry the Apache paragraphs that
14 there have been some changes to that if you folks want to
15 read through, but.

16 THE COURT: Hold on a second. Mr. Brescia?

17 MR. BRESCIA: Yes, good afternoon, Your Honor.
18 Duane Brescia for Zurich American Insurance Company. Just
19 raised my hand as we're discussing these.

20 I think Ms. Russell has received consent from two,
21 maybe all four of the sureties to proposed language that was
22 circulated only about 30 minutes ago, 45 minutes ago.

23 I don't know if that's going to be read in today.
24 I'll defer to Ms. Russell first.

25 THE COURT: All right, Ms. Russell we'll let you

1 go first then. Good afternoon.

2 MS. RUSSELL: Good afternoon, Your Honor. A lot
3 going on behind the scenes here. We actually have some
4 language that we requested to 82, which I proposed we work
5 out with the Debtor in the -- in the next break.

6 And if the Court will bear with me, I will find
7 the language that Mr. Brescia is referring to. And it
8 relates subrogation rights. Is this what you were referring
9 to Duane?

10 MR. BRESCIA: Yes, I think there are edits to
11 paragraph -- I believe they are 81, 92 and I guess there's a
12 new paragraph 90 -- excuse me. New paragraph 95 are the
13 ones I think we're in agreement on.

14 MS. RUSSELL: Okay, Your Honor. If you would
15 indulge us. If we could skip over the Apache section. We
16 were negotiating this even as the hearing was ongoing. And
17 we need some time to get organized to walk through this with
18 you.

19 THE COURT: It's only \$600 million, Ms. Russell.
20 Let's try and get it done.

21 MS. RUSSELL: I apologize.

22 THE COURT: All right. Just -- look do you want
23 to try and make the announcements on the record? You guys
24 have been working hand-in-hand now for awhile or do you want
25 to just put it in the next form of order? I really think

1 that as long as I understand what you've done, that I'm not
2 going to intervene on whether I approve of the business
3 decision between, you know, two non-Debtor entities.

4 So it's only going to be one -- I'm only going to
5 look to be sure that I don't think it's ambiguous so that I
6 can enforce it if a dispute arises.

7 So I'm inclined to think that you-all can just
8 agree and put it in there and I'll look at it on the final
9 version that gets uploaded.

10 MS. RUSSELL: I think that would be a good plan.
11 I didn't know if you planned on entering this at the end of
12 the hearing today. But if we have the ability to make these
13 final fine tuned language then I think that would be the
14 most efficient use of the Court's time.

15 THE COURT: So unless something surprises me,
16 which it hasn't yet, it's my intention to allow one more
17 version to be uploaded but not to hold another hearing on
18 it. That I can then just review -- if you upload a regular
19 and a black line version, I'll review to be sure that I
20 understand it. And then I will have it entered without
21 another hearing.

22 And I know that we still have -- everyone still
23 has the ability at the end of this hearing to voice their
24 objections if things haven't gotten resolved. So, that may
25 get upset before we get to the end of the day. But so far I

1 haven't heard a reason to come back.

2 I mean, because again, my interest in -- I don't
3 get to say whether I think you and Mr. Brescia have reached
4 a good deal. It's only its impact on the estate that I can
5 review in priority for the purpose of being sure that I can
6 enforce it, so.

7 I haven't heard anything that the estate should,
8 you know, needs a hearing about is my view. Are you okay
9 with that?

10 MS. RUSSELL: Yes, Your Honor. And if we, for
11 some reason feel like things cannot resolve, we will ask for
12 a very short audience with you.

13 THE COURT: No, I'll give you an emergency hearing
14 if you want and I'll even give you one now as a contingent
15 hearing if you want it. I just don't think it's necessary
16 and it'll just make you spend more money and time and I'm
17 thinking by, you know, 5:00 or 5:30 you-all will have an
18 order uploaded and Ms. Doe never sleeps so she'll get it
19 entered tonight.

20 MS. RUSSELL: All right, thank you, Your Honor.

21 THE COURT: Thank you.

22 MR. BRESCIA: Thank you, Your Honor.

23 THE COURT: So I'm going to go ahead and mute both
24 of your lines so you-all can go do work. And we did have
25 somebody from New York that has a comment they want to make.

1 Who do we have?

2 MS. LIOU: Yes, Your Honor, Jessica Liou from
3 Weil, Gotshal & Manges. I did want to echo what Ms. Russell
4 said which is are actually still are working with Apache and
5 Blenders on some language for this section.

6 So to the extent that we can't come to an
7 agreement -- and I'm confident that we will -- then that may
8 be an issue that we'll have to address at another time.

9 THE COURT: Look I want to get an order entered.
10 This has dragged on awhile. If you-all can't reach an
11 agreement, I want you contacting Ms. Doe and we will come
12 back tonight. So, I say that --

13 MS. LIOU: Absolutely, Your Honor.

14 THE COURT: -- and I want you to understand. I'm
15 not even a little bit impatient about it. It's amazing all
16 the progress you've made. But I think the way to treat all
17 the progress you've made is to recognize that you're doing
18 that for a reason and everybody wants to get this done.

19 And so it's really out of respect for what you've
20 done. And I don't have any impatience about it. If you-all
21 were literally to come back and say you needed another day,
22 I got it. But you probably more need time --

23 MS. LIOU: No Your Honor I do not expect us to
24 need another day. We just need probably another hour to
25 work it out.

1 THE COURT: Okay. Well, I just want -- assuming
2 that we conclude today with no outstanding objections, when
3 you get it filed please contact Ms. Doe and I will look at
4 it right away.

5 I do have a 4:00 o'clock hearing. And so I expect
6 that hearing to take less than an hour, but I may be wrong
7 about that. But it's not like I'm going anywhere. I
8 just -- I may have an hour when I can't look at whatever you
9 submit. But beyond that I'm pretty free.

10 Okay, let's move ahead. Where are you next,
11 Mr. Carlson?

12 MR. CARLSON: From there, Your Honor, I go to
13 paragraph 97. This is the non-Apache sureties reservation
14 rights language.

15 And here --

16 THE COURT: Wait a minute.

17 MR. CARLSON: -- we have received.

18 THE COURT: Hold on. I ended up in the wrong
19 place.

20 (Pause in the proceedings.)

21 THE COURT: Okay, I'm about there. There we go.

22 MR. CARLSON: Your Honor, this paragraph I think
23 is kind of (glitch in the audio) reservation of rights the
24 way I see it. Number one, that nothing in the Plan document
25 modify the rights as between obligees and sureties. That's

1 sort of what's captured in A.

2 B is nothing requires non-Apache Sureties to
3 extend additional new surety credit. And then C is nothing
4 in the order or Plan documents increase or decrease rights
5 of sureties against non-Debtor parties for the
6 post-effective date Debtors, Fieldwood One, Two and Four,
7 and the NewCo entity with the reservation of rights with
8 respect to assumed contracts.

9 And I think --

10 THE COURT: So tell me -- I don't understand how A
11 works in combination with the exculpation clause.

12 MR. CARLSON: So A is limited to the non-Apache
13 sureties. Nothing is adjudicating or modifying their rights
14 as between only those non-Apache sureties and the obligees
15 under their respective bonds.

16 THE COURT: But does that mean that there can be a
17 dispute between the obligees and the non-Apache sureties as
18 to matters that are exculpated in the Plan? Or does the
19 exculpation clause control over A?

20 Because I think both have not withstanding
21 anything else and I'm a little nervous about having
22 contradictory paragraphs that say notwithstanding anything
23 else.

24 What's the deal on how this interacts with that?

25 MR. CARLSON: Yeah, I think your right. I think

1 it's -- we do have that language on the less expressly
2 provided the contrary in the Plan documents. Language here
3 and I think you're right that if there is an expressed
4 provision that does impact that, that would supersede this
5 language in A.

6 THE COURT: I mean, it says unless expressly
7 provided and then it says nothing in the exculpation
8 provision does these things. I do not want the ambiguity.
9 I want to have you guys apparently talk some more to be sure
10 that I don't have cross conflicts like that.

11 I'm happy with however you-all resolve it. And
12 maybe you-all have an agreement that I'm not fully
13 appreciating. Let's see, Mr. Ripley?

14 (Pause in the proceedings.)

15 THE COURT: Mr. Ripley?

16 MR. RIPLEY: Oh, good afternoon, Your Honor. Ed
17 Ripley with Andrews Myers on behalf of Chevron and various
18 affiliates.

19 Judge this whole paragraph first came about last
20 afternoon. And the first introductory clause is a problem.
21 Because what it does is it basically takes away the
22 reservation of rights language. I think there's some other
23 provision that's buried in the thousands and thousands and
24 thousands of pages of other documents that people met all
25 the transactions under the Plan.

1 It's overly broad in and it's completely
2 unnecessary. The -- this was added in because one
3 particular obligees and predecessor had worked out
4 additional language. And so there's a way to deal with that
5 parties unique issues without having this.

6 Because right now -- particularly under
7 subparagraph A -- my client is an obligee under various
8 bonds and we have no idea, again if anything in any of the -
9 - for example Fieldwood Energy One or the Newco Credit Bid
10 transaction documents has some effect on our bonds.

11 We haven't checked all those pages. We shouldn't
12 be forced to check all those pages.

13 Again, that first clause needs to come out. It's
14 unnecessary.

15 THE COURT: Which first clause?

16 MR. RIPLEY: The "unless expressly provided to the
17 contrary in the Plan documents."

18 THE COURT: But then if it says, "the exculpation
19 provision doesn't effect people's rights under the deal in
20 the Plan." And it does effect people's rights under the
21 deal in the Plan.

22 I mean we are ordering that no one can
23 subsequently challenge the deal. The deal is protected.

24 MR. RIPLEY: Yeah, I think -- Judge I think you
25 raise a good issue that no one else had raised yesterday in

1 the discussions amongst all different parties. They ought
2 to be able to carve in the exculpation because -- to make
3 sure that there isn't some gap or inconsistency.

4 But that introductory clause was not raised in
5 connection with the exculpation in all the discussions
6 yesterday. Again it was added solely to deal with one
7 individual obligee and predecessors peculiar issues and
8 there is easier ways to deal with that.

9 THE COURT: Mr. Bains. Mr. Bains?

10 MR. BAINS: Good afternoon, yeah good afternoon,
11 Your Honor. Brandon Bains on behalf of Travelers, Liberty,
12 Hanover and XL.

13 I just wanted to echo Mr. Ripley's comments. You
14 know we had some discussion about this language. In fact,
15 Mr. Ripley's clients, Chevron, is an obligee for all four of
16 my sureties.

17 I think the intention here, Your Honor, is simply
18 that if we get down the road and there is a bond claim by
19 Chevron, I think all parties agree that nothing in the plan,
20 nothing in the order impacts Chevron's rights under the
21 bonds, impacts our defenses under the bonds. And I think
22 that's what we're trying to accomplish here.

23 I would agree with him that I think the first
24 clause should be taken out because it just adds to confusion
25 and we really seek to adjudicate something that is outside

1 the purview of this Court when it comes to any of those bond
2 claims two or three years from now.

3 THE COURT: Yeah, that makes a lot of sense. So
4 just to put that sort of in a hypothetical example. If the
5 obligee a year ago did something that would preclude your
6 liability to the obligee that argument remains.

7 But the obligees participation in the Plan would
8 not be a defense. And if we can say those, I think that's
9 consistent with what I'm intending to order. I don't think
10 this says that.

11 MR. RIPLEY: And Judge, -- yeah that is the
12 intent.

13 THE COURT: Great. I don't know how to say that.
14 We can all take a stab at it, but should I let you-all take
15 a stab all together without me.

16 MR. RIPLEY: Yes, Your Honor, we'll take a stab at
17 it.

18 THE COURT: Mr. Dendinger? Mr. Dendinger?

19 MR. DENDINGER: Yes, good afternoon, Your Honor.
20 I guess for the record, Mark Dendinger, Bracewell for ENI
21 Petroleum US LLC and ENI US Operating Company. May I be
22 heard?

23 THE COURT: Yes, sir.

24 MR. DENDINGER: I believe Mr. Ripley is
25 generically referring to -- for my clients as the obligee

1 with the peculiar language.

2 I didn't realize that it expressly provided to the
3 contrary in the Plan documents was solely put in for my
4 clients benefits.

5 But the reason that lead in was important to us is
6 without some version of a lead in that would say, "except
7 expressly provide to the contrary" in paragraphs X to Y of
8 this Order and the ENI definitive documentation are
9 concerned with me this entire paragraph and my client's
10 rights as obligee and the non-Apache's sureties rights would
11 vitiate the paragraph that we negotiated that we'll come to
12 later on in the Order.

13 I believe the paragraph range is 118 -- 111 to
14 118. I apologize, Your Honor. So Mr. Ripley has made a
15 sound deduction --

16 THE COURT: Could it say, for example -- and I
17 haven't read 111 to 118 -- subject to paragraphs 111 to 118.
18 Would that have the same effect?

19 MR. DENDINGER: Yes, yes. And that would be fine,
20 Your Honor. I would prefer that it also maybe use the
21 phrase "and the ENI definitive documentation."

22 THE COURT: It doesn't bother me as long as it's
23 limited to ENI. All right, from Chicago, 502-2956.

24 MR. KOOY: Yes, Your Honor. Ralph Kooy on behalf
25 of North American Specialty. I did want to add our

1 agreement with Mr. Bains and Mr. Ripley that we didn't
2 understand the need for that first clause.

3 You know, one of the entries our client continues
4 to have and we say it's advisable to half of -- or on behalf
5 of Fieldwood, but namely Chevron and ENI as obligee.

6 You know, we still have our larger objection. And
7 it relates, you know, to the term sheets that have been
8 entered that we sort of, you know, obtuse or abstruse
9 references to the surety providing money for clean up.

10 We still don't think there's, you know, a clear
11 understanding of how these bonds survive and under what
12 basis. I have not reviewed paragraph 111 through 118, but
13 our -- you know, we're happy with the language that nothing
14 in the order or plan shall be deemed to modify, you know,
15 our defenses should these obligees specifically any and
16 Chevron make a claim because we want to be able to preserve
17 our surety defenses.

18 We're still hesitant, you know, we agree that that
19 last provision should be removed consistent with Mr. Bains
20 and his position on behalf of his clients. We would have to
21 take a look at 111 and 118 and I assume that means we'll be
22 doing that offline here.

23 THE COURT: All right. Let me just be sure that
24 you're telling me the same thing others are. You're not
25 looking -- well. I know they argued against this. I've

1 overruled the question of whether you can have a defense
2 based on what's occurring in the Plan itself.

3 So to the extent that that's your objection, I'm
4 substantively overruling it. But I am sustaining any
5 objection that says that I should effect rights other than
6 were determined in the Plan.

7 And I don't think paragraph 97 is correct in that
8 regard on any side of that. So hopefully you-all can work
9 through that some more. And that may take more than this
10 afternoon and I understand that. But it's an important
11 paragraph.

12 MR. KOOY: All right.

13 THE COURT: Is that -- and I know that you have
14 that objection. I want there to be a clear record. You can
15 appeal it. I've got zero problem with that.

16 But I agree that your defenses that existed when
17 this case was filed, we should not be adjudicating or
18 altering at all. It's only the Plan itself that we're
19 approving can't then serve as the defense.

20 And I know that you disagree with that. I've got
21 no problem with you disagreeing with that. But that's the
22 part I'm overruling and only that part.

23 MR. KOOY: Understood.

24 THE COURT: Thank you. All right.

25 MR. BAINS: Your Honor, Brandon Bains, if I may.

1 THE COURT: Sure, Mr. Bains.

2 MR. BAINS: And just, Your Honor on that point for
3 purposes of the record, I did want to make clear, at least
4 on behalf of my clients, that we do still have substantive
5 legal objections to the Plan.

6 We understand the Court has overruled those.
7 Obviously all of this is subject to those objections. But
8 trying to get to the language that we're not opposed to as
9 part of the Confirmation Order. I think you said that
10 before, but I just wanted to make that clear.

11 THE COURT: I did and I'll reiterate it now. I
12 made substantive rulings during the hearing. Perhaps just
13 clarified one so that there could be no ambiguity about what
14 I meant to say.

15 And then I ordered the parties -- like you and
16 your client, Mr. Bains, -- to agree on a form that would
17 implement the rulings. And you are not waiving
18 anything -- it's not my intent that you're ruling anything
19 by agreeing to the form of the order in a manner that is
20 consistent with the Court's rulings. And your objections
21 previously made are preserved in that regard.

22 And that is true for everyone that is, you know,
23 working as best I can tell in absolute good faith to try and
24 implement the Court's orders. I have no problem with what
25 anybody is doing or saying here. And expect that no

1 Appellate Court would think that the work of fine lawyers
2 implementing a Court order shouldn't be a waiver. It's just
3 not.

4 MR. KOOY: Your Honor, I don't know if I'm still
5 unmated. This is Ralph Kooy again.

6 THE COURT: No, you're still live.

7 MR. KOOY: Okay. I just -- I appreciate that
8 clarification and we had not, you know, officially made our
9 closing voicing and continuing our objection. But based on
10 your (indiscernible) that that applies to North American
11 Specialty as well.

12 THE COURT: It applies to them and to all the
13 others that raised objections that I overruled. You know,
14 this is a really hard long complicated thing. And for your
15 clients too, you want a clear order even for appellate
16 purposes.

17 And compliance with my direction to try and work
18 on getting something that clarifies and implements the
19 Court's rulings only shows good lawyering and not waiver as
20 far as I'm concerned. And I make that as to all --

21 MR. KOOY: Thank you very much, Your Honor.

22 THE COURT: -- all parties. Thank you. All
23 right, so I'm going to let everybody tell me if this means
24 that want a little -- maybe overnight -- to work on that
25 paragraph and come back in the morning or something.

1 But I am worried about getting this one done with
2 this many parties that really care about how that language
3 is going to fit in.

4 So let's go on down. What do you have next?

5 MR. CARLSON: Well, I think these next couple of
6 paragraphs were also a part of those same discussions. I
7 think paragraph 98 is really clarification that -- you heard
8 a lot of testimony and discussion on this. None of the nine
9 Apache bonds where the Debtor is the principal are being
10 allocated or assigned pursuant to the Plan.

11 I don't think there's anything controversial about
12 98, but folks can speak up if so.

13 And then paragraph 99 is really intended to try
14 and address what is being dealt -- what subrogation rights
15 are being dealt with under the Plan and what aren't for the
16 pre-post subrogation rights discussion that we've had.

17 (Pause in the proceedings.)

18 THE COURT: I'm not sure what 99 means.

19 (Pause in the proceedings.)

20 MR. CARLSON: What this is intended to say is that
21 any post-effective date subrogation rights are not being.
22 The way I read this anyway, others can disagree but, are not
23 being dealt with or are not being enjoined release, altered
24 or diminished not by the non-Apache Surety subrogation
25 rights.

1 THE COURT: So, if money is paid to the Government
2 under the Plan, by a bonding company, can they come back
3 against NewCo? Because my ruling was they couldn't and this
4 paragraph seems to say they can.

5 I don't think it's consistent with my ruling.

6 MR. CARLSON: They cannot. They cannot, Your
7 Honor. I think that's right and if we need to fix this to
8 be consistent we will.

9 THE COURT: I read this to say that if a
10 subrogation right arises on the effective date and on the
11 effective date Newco will be an owner, if they're preserved.
12 And that is not my intention.

13 I believe it is inconsistent with Mid Atlantic.

14 MR. BAINS: Your Honor, Brandon Bains, if I may?

15 THE COURT: Yes, sir.

16 MR. BAINS: Let me just say for my four sureties,
17 Your Honor, we do not have any Government bonds. All of our
18 bonds are on behalf or excuse me, on behalf of Fieldwood in
19 favor of private entities.

20 THE COURT: Right.

21 MR. BAINS: I can say for my purposes, we're
22 simply trying to preserve those subrogation rights. I think
23 it's maybe a different issue than the Court is hitting on.
24 So I do think the folks that have the Government bonds can
25 speak up if they need to on that.

1 But I do think it's important for any of the other
2 subrogation rights for sureties that private bonds be
3 preserved after the effective dates, which is what this
4 language is at least attempting to get do.

5 THE COURT: So, is Newco buying any of the
6 property on which your client can assert subrogation rights?

7 MR. BAINS: There are assets bonded by my clients
8 that are flowing to Newco, yes.

9 THE COURT: Yeah, I am --

10 MR. BAINS: I still have -- I mean --

11 THE COURT: -- so this is a ruling I tried to make
12 before. Newco buys free and clear.

13 MR. BAINS: I don't know that that's the issue
14 that we're fighting about. I think the issue is more if,
15 for instance Mr. Ripley's client, Chevron, if we pay out on
16 that bond on an asset that has gone to Newco, we're
17 subrogated to Chevron's rights or the other obligee.

18 THE COURT: This has being bought free and clear
19 of Chevron's rights, right? Newco isn't taking it and then
20 having to pay other than what they've agreed to pay. They
21 don't have to pay extra via subrogation.

22 MR. BAINS: No, I think I'm saying something
23 different, Your Honor.

24 THE COURT: Okay.

25 MR. BAINS: I think I'm talking about in the

1 future lets say if Newco otherwise did not perform long
2 after the effective date for their own obligations with the
3 Government. If the Government issued some sort of order
4 that flowed back to Chevron in the chain of title or not.
5 However we come to pay under our bond, we're just simply
6 saying we maintain those subrogation rights against our
7 private obligees.

8 I don't know that it's impacting the free and
9 clear concept that the Court is worried about.

10 THE COURT: I think it depends if what you're
11 describing is Newco post effective date puts up a new
12 platform. That's Newco's problem. I don't know that anyone
13 has bonded that. But that's Newco's problem. And people
14 are going to be subrogated.

15 But people are not going to be able to sue Newco
16 for a error obligation that arose before their acquisition.

17 MR. BAINS: That arose before the acquisition is
18 that what you said?

19 THE COURT: Right. If the error obligation
20 existed on the date, you know, prior to the date of Newco's
21 acquisition, Newco can't be forced to pay that other than
22 what the Plan says. That's the whole fundamental --

23 MR. BAINS: Yeah I understand.

24 THE COURT: -- premises of the Plan.

25 MR. BAINS: I would agree that's the premise of

1 the Plan. I don't think that's what this is saying. This
2 is saying subrogation rights that would arise after that.

3 THE COURT: No it says other than those
4 subrogation that arose on or before the effective date.

5 MR. BAINS: Well the -- I think Ms. Loui or
6 Mr. Carlson talked to this. The intention was saying
7 nothing is going to impact the subrogation rights other than
8 those ones that came before. Those are the ones that are
9 being impacted. Those are the ones that are being cut off.

10 The intention was to keep the ones afterwards.
11 And I don't believe I'm misrepresenting Ms. Loui.

12 THE COURT: I got it. I got it. Okay, so I maybe
13 just misreading this. Thank you. I think I was misreading
14 it. Let me try again.

15 (Pause in the proceedings.)

16 THE COURT: I was misreading it. I think you're
17 right. I'm going to withdraw my comment.

18 MR. BAINS: Thank you.

19 THE COURT: Thank you. Sorry, Mr. Carlson, about
20 that diversion scary statement by me. I got it wrong.

21 MR. CARLSON: No problem.

22 THE COURT: Let's go ahead. Hold on. Ms. Ryan,
23 welcome back.

24 MS. RYAN: Thank you, Judge Isgur. Again for the
25 record this is Abigail Ryan on behalf of the Railroad

1 Commission of Texas.

2 I can conferred with my colleagues on the tax
3 bankruptcy side here at the Attorney General's Office, Your
4 Honor. And the taxing entity referred to -- and I believe
5 it's paragraph 78 or 77 -- are ad valorem taxes. And so, we
6 don't represent each and every separate county or school
7 district that has taxing issues.

8 What is -- that was handled by -- let me pull it
9 up there. (Glitch in the audio) by a private law firm and
10 filed an objection and that firm is the Perdue, Brandon,
11 Fielder, Collins and Mott law firm. It looks like Ellen
12 Connex filed an objection and this is Melissa Valdez also on
13 their signatory block. So, this is out of the Attorney
14 General's purview for today.

15 THE COURT: Thank you for the announcement. I'm
16 taking, though, that the Attorney General -- perhaps because
17 it doesn't have an assignment, perhaps because it hasn't
18 been called on to act -- the Attorney General is not
19 asserting an objection to those paragraphs, right?

20 MS. RYAN: Correct. In fact, I just received an
21 email as you were speaking from the manager of the taxing
22 section of our office. And he looked at the Order and he
23 doesn't have a problem with that provision of the proposed
24 Order or the one addressing Louisiana's taxing concerns.

25 And so that's from Mr. John Stern. He's the

1 manager of the bankruptcy tax section of Attorney General's
2 Office.

3 THE COURT: All right, thank you Ms. Ryan.

4 MS. RYAN: Thank you, Your Honor.

5 THE COURT: Mr. Zuber?

6 (Pause in the proceedings.)

7 THE COURT: Mr. Zuber, if you're talking your line
8 is muted.

9 MR. ZUBER: I'm sorry, Your Honor. I was just
10 going to arise to address Your Honor's concern about
11 paragraph 99, but those have now been resolved. So I don't
12 need to address at this point.

13 THE COURT: Thank you. Mr. Schaible?

14 (Pause in the proceedings.)

15 THE COURT: Mr. Schaible?

16 MR. SCHAIBLE: Your Honor, I was just going to ask
17 with respect to that paragraph, I think that everyone on
18 this call expectation and understanding is clear. But later
19 in the Order, we have somewhat similar language and what we
20 did there was clarify that with respect to post-effective
21 date activities. And I'm wondering if we could add -- if we
22 could add that in the paragraph?

23 Again, I think everyone understands the point, but
24 the language -- as Your Honor pointed out -- could actually
25 benefit from being clearer.

1 In other words, to the extent that subrogation
2 started -- to the extent that work on account of
3 pre-effective date activities occurs post-effective date and
4 therefore the subrogation could theoretically arise
5 post-effective date, but it's with regard to pre-effective
6 date obligations, credit bid Newco should not be on the hook
7 is your point.

8 And I'm wondering if just the addition of, you
9 know, with respect to post-effective date activities may
10 solve that ambiguity.

11 THE COURT: Sounds like that makes some sense to
12 me. Let's see if it causes anybody any problem because
13 you-all are going to have a bunch of discussions.

14 Ms. Loui, did you have a comment about that as
15 well?

16 MS. LOUI: Yes, Your Honor. I was actually going
17 to say exactly what Mr. Schaible said. So I think we're in
18 agreement that we have some clarifying to do on the language
19 in paragraph 99.

20 THE COURT: Thank you. All right, let's move to
21 paragraph -- I'm sorry, go ahead.

22 MR. BAINS: I'm sorry, Your Honor, Brandon Bains.
23 I don't want to belabor this point too much, but I do want
24 to make sure that I understand what Mr. Schaible is saying.

25 If he's simply saying that they want to make clear

1 that it's post-effective date activities, I think that's
2 consistent with everything we've talked about. One concern
3 is he seemed to make a comment about pre-effective date
4 obligations and those are two different things.

5 I mean there's no dispute, obviously, all bonds
6 are pre-effective date otherwise we wouldn't be
7 participating in this joyous process.

8 So yeah we're going to have bonds that are
9 pre-effective date. The question is going to become whether
10 the obligations under those bonds arise post-effective date,
11 therefore giving rise to the subrogation rights.

12 If we're all on the same page that that's fine,
13 okay. I think that's what we're saying, but I want to make
14 sure I understood him correctly.

15 THE COURT: Yeah, so look there's the argument
16 that I think we all know which is that the owner of property
17 has a continuing duty to clean it up. And so one could
18 argue that post-effective date an obligation arose. They're
19 saying that they shouldn't have liability for those. I
20 think that's right.

21 On the other hand, there could be activity they
22 engage in post-effective date. Let's say they go, you know,
23 disturb a pipe or they go install a new platform and for
24 that they should have liability.

25 And so that's what I think the purpose of

1 Mr. Schaible's comment was. I don't know if that's
2 inconsistent with what you're saying.

3 MR. BAINS: I think all I'm simply saying is yes
4 that's what you just captured is the understanding of the
5 provision. But if there was some notion that because a bond
6 was issued pre-effective date that it never has any
7 subrogation rights I do not agree with that.

8 MR. SCHAIBLE: No, that is not -- that is not what
9 I intended, sorry. Literally the addition would be just the
10 words "on account of post-effective date activities" into
11 the existing language. That's all.

12 MR. BAINS: Understood, Mr. Schaible. I think we
13 can look at that then. We have to do it anyways. Thank
14 you.

15 THE COURT: Thank you. All right, let's go to
16 paragraph 100. Hold on, I've got somebody else. Mr. Zuber
17 go ahead, your line is remaining active. Mr. Zuber?

18 (Pause in the proceedings.)

19 THE COURT: Mr. Balasko?

20 (Pause in the proceedings.)

21 THE COURT: Mr. Balasko?

22 MR. BALASKO: Thank you, Your Honor. Zach Balasko
23 for the Department of the Interior. As to paragraph 100 is
24 a very, very minor change. I don't think the terms BOEM and
25 BSEE are defined anywhere in the Order or the Plan. So,

1 somewhere either in the Plan or in this Order those terms
2 need to be defined.

3 THE COURT: Except we all know them.

4 MR. BALASKO: That's true, Your Honor, but
5 whoever's looking at this in the future might not.

6 THE COURT: All right. Mr. Carlson, where do you
7 want to go next?

8 MR. CARLSON: Your Honor, the next I think nine
9 or ten paragraphs are the Chevron specific paragraphs. I am
10 not aware of any objections. But -- and they haven't
11 changed. But would -- I guess Mr. Ripley may have something
12 to say about it, but from our perspective these are --

13 MR. RIPLEY: Yes, Your Honor. Ed Ripley, Your
14 Honor, Andrews and Myers on behalf of Chevron. Yeah, we had
15 provided for example, in what's now paragraph 101. We had
16 provided additional protective language that would go in at
17 the end.

18 That language comes from other parts of the exact
19 same order. And so we don't understand why that would not
20 be included there.

21 And we've provided the redlines to Mr. Carlson and
22 his team. I can -- I can even have it brought up if you
23 want to see it Judge. But it is a literally a cut and paste
24 from other provisions in the exact same order -- in this
25 order.

1 And it's protective language and reservation of
2 rights language.

3 THE COURT: Let me give Mr. Carlson a minute to
4 look at it.

5 (Pause in the proceedings.)

6 MR. CARLSON: Yeah, I don't think we're agreed on
7 this language yet. We're going to have to look at it.

8 MR. RIPLEY: Right, I think it slightly changed in
9 your new paragraph 62. But whatever that language is, we
10 just wanted to have the exact same language. Wherever you
11 come down on that.

12 MR. CARLSON: Okay, Mr. Ripley, it sounds like we
13 can work this out.

14 THE COURT: Thank you. Mr. Zuber?

15 MR. STURM: Good afternoon, Judge. This is Jay
16 Strum for Aspen, Berkley and Sirius Insurance companies.

17 I apologize, Judge. I tried to raise my hand a
18 minute ago to speak on 99. We were just a little bit
19 confused as to the ruling with respect to 99, Judge.

20 Our understanding and based on our negotiations
21 with the other parties is that what is being preserved is
22 any subrogation rights that arise post-effective date -- and
23 that would be for any operations by the credited purchaser.
24 You know, it's really geared toward if the credited
25 purchaser doesn't comply with the -- with their obligations

1 under the BOEM regulations and they don't do their
2 decommissioning, an surety has to step in and perform, then
3 the surety should be subrogated to -- as against the
4 credited purchaser.

5 That was what that was aimed at and Your Honor's
6 comments with respect to new wells, new platforms and I just
7 want to make sure it would be as to any obligee.

8 THE COURT: I am overruling that objection now for
9 the fourth time. The purchasers are not undertaking an
10 obligation to do error work other than as specifically
11 provided in the Plan.

12 And you are not subrogated to the right to sue
13 them for failure to do error work if that error work existed
14 prior to the effective date. I understand that the sureties
15 massively object to that ruling, but that's the ruling.

16 MR. STRUM: Understood Judge. We appreciate the
17 clarity.

18 THE COURT: Thank you. All right, let's go back,
19 Mr. Carlson?

20 MR. CARLSON: So from there, Your Honor, I would
21 go to paragraph 111 through --

22 MR. RIPLEY: Actually we have some other Chevron
23 issues, Your Honor.

24 THE COURT: Go ahead, Mr. Ripley.

25 MR. RIPLEY: Judge, what is now paragraph 105, we

1 have again -- we provided similar protective language that
2 comes from another provision in the Order. The exact same
3 language.

4 And Mr. Carlson, again, this is the language that
5 we sent you. I'm not clear if that slightly changed, but
6 wherever you land on with that, we just wanted to have that
7 exact same language in. And again I'm glad to talk with you
8 separately.

9 But that's the redline that we had provided
10 yesterday. And would come in at the end of what is now
11 paragraph 105. I'm sorry, yes previously 101 is now 105.

12 MR. CARLSON: Understood, we'll have to talk off
13 line, Mr. Ripley. I just haven't had a chance to review it.
14 Apologies.

15 MR. RIPLEY: Sure. Understood. Judge, the next
16 is paragraph 107 in the current Order. In the very
17 beginning of that, after "all rights of any applicable
18 proofs of entity.

19 We needed to insert "and/or other applicable
20 obligees" because some of our bonds there are more than one
21 party as an obligee on the bond. We are not the sole
22 obligee.

23 (Pause in the proceedings.)

24 THE COURT: Mr. Carlson?

25 MR. CARLSON: Yes, I don't think we have a problem

1 with that addition, but I only speak for the Debtors, so.

2 THE COURT: Thank you. Mr. Ripley?

3 MR. RIPLEY: And Judge, the last -- well it's not
4 the last. The next paragraph which is now 104 -- I'm sorry,
5 108.

6 In the very beginning, the Court is approving
7 certain of the field documents. And we need to insert the
8 Coosa (phonetic) implementation agreement into I in the
9 whole and then following in.

10 That document by its own terms requires Court
11 approval. And of course Section 363 would require to be
12 approved.

13 So again, we've provided comments to the Weil
14 team. So right after "approves the" and before "Coosa
15 definitive documents" we would insert "Coosa Implementation
16 Agreement and."

17 And then just that same insert "Coosa
18 Implementation Agreement and" would fall in the same place
19 in two ii in two different places.

20 And again, I'm glad to work with Mr. Carlson off
21 line, but we had provided that change yesterday.

22 MR. CARLSON: That change is fine with the
23 Debtors. I think the other ones -- the other changes you
24 discussed we'll have to discuss separately off line, but
25 that one is fine.

1 MR. RIPLEY: Sure. Appreciate it. Thank you.

2 And then the last is what is now paragraph 106. Judge there
3 are a couple of interests that are being acquired by Newco
4 Credit Bid Purchaser.

5 And those interests are riding through and would
6 be permitted encumbrances. So to make that clear at the
7 very end of the paragraph --

8 THE COURT: I think this must not be 106. What
9 paragraph are you in?

10 MR. RIPLEY: I'm sorry, it's now 110. My
11 apologies, Judge.

12 THE COURT: That's okay.

13 MR. RIPLEY: Toggling between the old and the new.
14 So at the very end, that last clause should -- we think the
15 easiest fix "shall be" -- this is a defined term -- "credit
16 bid permitted encumbrances."

17 (Pause in the proceedings.)

18 MR. RIPLEY: I don't think there's any dispute
19 because these are riding through.

20 (Pause in the proceedings.)

21 MR. CARLSON: That change is fine as well, but I'd
22 like to just confirm with others. I know these paragraphs
23 have been very heavily negotiated.

24 MR. RIPLEY: There's another way to fix it. But
25 we thought this was the simplest way to do it Judge just to

1 make sure.

2 THE COURT: All right, then let's move ahead.

3 MR. RIPLEY: Thank you Judge and thank you
4 Mr. Carlson.

5 THE COURT: Thank you. So I think we were going
6 to talk about 111 to 118 on the EIN deal and said we would
7 back to that, which we're there now.

8 MR. DENDINGER: Yes, Your Honor, again for the
9 record -- sorry Mr. Carlson.

10 MR. CARLSON: No, go ahead Mr. Dendinger.

11 MR. DENDINGER: I apologize for interrupting,
12 Mr. Carlson. Again, for the record Mark Dendinger from
13 Bracewell for EIN.

14 Your Honor, these paragraphs, 111 to 118, are the
15 paragraphs that I referenced that were of concern.

16 Just for Your Honor's benefit these paragraphs
17 other than the new change in 118 -- which I think is an
18 asset change -- these were included in the form of
19 implementation agreement that was filed with the Court as
20 part of the Plan supplement.

21 That was filed on June 15th at docket 1562
22 approximately nine days ago. So again, this has been a
23 matter of public record for some time. I believe how
24 they've been woven into the Confirmation Order is -- if
25 there are any changes to what was in the implementation

1 agreement they simply are conforming comments and/or I've
2 additional changes to make it read well and in accord with
3 other defined terms in the Confirmation Order.

4 So these have been substantially and heavily
5 negotiated at good faith as part of all of the EIN
6 definitive documentation. And so I just want to put those
7 comments on the record.

8 With regard to the new change in 188 -- which
9 appears in the redline -- this is -- this was included in
10 the form of implementation -- not included in the form of
11 implementation agreement. It was included last night and is
12 included in the execution now of the implementation
13 agreement.

14 And I believe ought to allay the concerns of the
15 bonding company. This was really meant to provide comfort
16 language to both parties -- my client as obligee and the
17 bonding company -- that there's nothing about the Plan, this
18 Order or the transactions contemplated effectually under the
19 Plan are going to modify rights with regard to the specific
20 bond.

21 And that was included, Your Honor, in some regard
22 because of the recently filed lawsuit against my client.

23 THE COURT: Thank you, Mr. Dendinger. Any
24 objection to that?

25 (No audible response.)

1 THE COURT: All right, good. Let's move ahead.

2 MR. CARLSON: Your Honor, the next paragraphs 119
3 through 124 are paragraphs that negotiated with Hunt as part
4 of the settlement that was reached with them.

5 I believe we are agreed on these paragraphs as
6 well and we'll let Mr. Chiu confirm.

7 THE COURT: Mr. Chiu?

8 MR. CHIU: Good afternoon, Your Honor. Kevin
9 Chiu, Baker Botts on behalf of Hunt Oil Company just rising
10 to confirm Mr. Carlson's statements with regards to the
11 language in the Confirmation Order on paragraph 119 through
12 the remainder of the Hunt provisions ending at currently
13 paragraph 126.

14 With respect to some of the outstanding items that
15 we spoke of early on during that period, this language will
16 be reflected in the Hunt agreement that Mr. Carlson alluded
17 to earlier today.

18 We do ask that given the sort of placeholder
19 bracket that's in place at 118 right now, that the term
20 agreement be filed prior to the next turn of the
21 Confirmation Order so that the docket number can be filed in
22 properly and reflected accordingly.

23 When we did receive confirmation from Mr. Carlson
24 and his team earlier today and with regards to the Plan
25 supplement documents that we alluded to earlier, and those

1 will be hopefully updated accordingly to reflect the
2 allocation of certain properties under the Hunt turnkey
3 agreement and the Hunt term sheet with respect to Fieldwood
4 Three and the abandoned properties.

5 Other than that, we certainly reserve our rights
6 to any changes in this language with respect to Hunt if
7 there are any further movements in the next turn, but I
8 believe we are fully resolved on these issues.

9 THE COURT: Mr. Chiu, thank you.

10 Mr. Carlson?

11 MR. CARLSON: Yeah I can confirm the changes we
12 discussed to the schedule, fuel and gas schedules and the
13 intention to finalize and file the turnkey agreement.

14 THE COURT: Thank you. So that takes us to Exxon,
15 right?

16 MR. CARLSON: That's right. And these
17 provisions -- we'll let Ms. Rosen address --

18 THE COURT: Ms. Rosen, good afternoon again.

19 MS. ROSEN: Thank you, Your Honor. Suki Rosen on
20 behalf of XTO entities. I think we're fine until we've got
21 one small nit when you go down to paragraph 127, romanette
22 V.

23 Those changes are fine except for the change from
24 the or to an and. Basically all of our respective rights
25 and obligations we want them to be referred as they are

1 under the terms of the contract or applicable law.

2 I don't know if we have any rights, you know,
3 offset or recoupment that arise under applicable law that
4 don't arise under the contracts. But we'd rather have that
5 be in the disjunctive instead of the -- instead of requiring
6 it to be both.

7 And I'm not sure why that change is there. When I
8 look through the remainder of the proposed Confirmation
9 Order it's in the disjunctive in paragraph 142 and so I'm
10 just -- I'm not sure why that was changed to an and.

11 MR. CARLSON: Well, Your Honor, I think it's --
12 well it wasn't in 142 I think we meant to have it as and in
13 there, but I think from our perspective that any netting
14 rights that are going to be asserted should be in accordance
15 with law and the contract and the F4 contract.

16 THE COURT: Well let's assume that they have an
17 agreement. It's allowed by applicable law, but not
18 addressed by the contract. That's her argument.

19 MR. CARLSON: I guess I don't -- in my mind it
20 still would need to be consistent with the terms of the
21 agreement. It couldn't override what the terms of the
22 agreement provide for.

23 THE COURT: So let's change the and to an or. And
24 after the word law, put in a parenthetical that says in a
25 manner that is consistent with the contract. That is not

1 inconsistent with the contract, I guess. Because if it's
2 missing from the contract, we're going to use applicable
3 law.

4 If it's in both the contract and applicable law,
5 we're going to use the contract. So just include the
6 parenthetical that says unless it's inconsistent with the
7 contract.

8 I assume that works for you, Ms. Rosen; is that
9 right?

10 MS. ROSEN: I think that's fine, Your Honor.
11 Thank you.

12 THE COURT: That work for you Mr. Carlson?

13 MR. CARLSON: Yes that works for us.

14 THE COURT: Thank you. What do you have next?

15 MR. CARLSON: From there, Your Honor, --

16 THE COURT: Go ahead.

17 MR. CARLSON: -- from there we go to BP language
18 which is 135 through 138.

19 MS. ROSEN: Oh, I'm sorry to interrupt,
20 Mr. Carlson, but there were a couple of other changes that
21 were made to paragraph 129. That was some language that had
22 been provided to XTO from our surety counsel. And we
23 certainly wanted to make sure -- we haven't had an
24 opportunity to discuss that with counsel for the sureties.
25 I know Mr. Scharfenberg and Mr. Bain and Mr. Langley are

1 both on and so I wanted to see if they had any comments to
2 those changes.

3 UNKNOWN: Yeah, from our wise perspective we don't
4 have an issue with those changes, thank you.

5 THE COURT: Does anyone have any objection to
6 those changes?

7 MR. BAINS: This is Brandon Bains. I'm looking at
8 those now. Your Honor, I don't really see any objection to
9 those.

10 THE COURT: Thank you. All right.

11 MS. ROSEN: Thank you, Your Honor.

12 THE COURT: Let's go to BP.

13 MR. CARLSON: So, Your Honor, I understand did
14 have a conversation with Mr. Burrer last night. Encore
15 resolved on this language. She did point out that I was
16 missing a few of the BP entities in the defined terms of the
17 BP entities, but otherwise my understanding is we're agreed
18 on the language, but we'll let Mr. Burrer address the Court.

19 MR. DUEWALL: Good afternoon, Your Honor.

20 THE COURT: I'm not sure if we have Mr. Burrer --
21 okay go ahead please.

22 MR. DUEWALL: Good afternoon, Your Honor, Craig
23 Duewall with Greenberg Traurig on behalf of BP.

24 When BP made it's opening statements to the Court
25 on Monday, BP identified important commercial issues that it

1 sought to protect and preserve and hopefully if given the
2 opportunity could resolve those before the end of the week.

3 I'm pleased to inform the Court that with the
4 additional time provided, the Debtors have incorporated the
5 language in the Order that addresses the concerns, the
6 commercial issues that BP raised. It's my understanding
7 that the language confirms that BP's opted out of a third
8 party releases.

9 The language confirms that BP's set off rights are
10 reserved and preserved, which is the subject of the motion
11 at docket entry 1666 is set for hearing the set off -- the
12 motion to lift stay related to set off that's set for July
13 16th.

14 And it is further my understanding that the
15 language confirms that BP's arbitration rights are reserved
16 and preserved which the subject of BP's pending motion to
17 lift stay, related to arbitration at docket entry 1414. And
18 that's set for hearing on July 9th.

19 So having said those things, Your Honor, it's my
20 understanding that the language does reflect the parties
21 understanding. Mr. Burrer, I believe, has one issue related
22 to footnote 13 that he wanted to address the Court about.

23 MR. BURRER: Thank you, Your Honor. Karl Burrer
24 for BP. As Mr. Carlson correctly stated footnote 13, we're
25 just catching the BP entities. And hearing the colloquia

1 between Mrs. Rosen and the Court, I didn't interpret the and
2 versus or issue as she did.

3 But given the change in the and or or, and new
4 paragraph 133, romanette III, we'd request that language as
5 well just to avoid any conclusion which is the same and or
6 or on the nettings contract first applicable law.

7 MR. PEREZ: Your Honor, may I be heard?

8 THE COURT: Go ahead Mr. --

9 MR. PEREZ: Yeah, Your Honor, I was going to raise
10 my hand, but I don't think we can agree to that change. I
11 think that, you know, this is the discussion that we talked
12 about. This is when you heard testimony about we take very
13 different view.

14 So, I think that that change with respect to this
15 provision, you know, it has a material impact or a potential
16 material impact or a potential material impact. And I don't
17 think we agree to that.

18 And, Your Honor, I'm a little concerned as to
19 what's happening here is we negotiated things with
20 everybody. Now that everybody's seen the Confirmation
21 Order, it's like they want an MSN.

22 And so at some point, you know, we negotiate
23 things, we put them to bed and now people are saying oh
24 somebody else got something better and I want it. And at
25 some point we just have to stop that.

1 But I would -- this is language we negotiated, we
2 reached an agreement. And I think --

3 THE COURT: Let me catch up with the language.
4 Mr. Burrer, where is the particular language that you're
5 talking about?

6 MR. BURRER: It is 133, romanette III. And the
7 only request that I would have to the language change is
8 just the parties understanding that the contract has to say
9 "set off" and you have to have the right under the law.
10 Even if the law doesn't say your contract must have the word
11 set off in it in order to exercise the set off.

12 I didn't read the and as requiring that. It was
13 solely based on the statements from Ms. Rosen that she
14 thought it could be read in that manner.

15 So if the applicable law gives me the right for
16 set off, but my contract doesn't say set off, I've got that
17 right under applicable law, I think that should be
18 preserved. And that shouldn't create a barrier that doesn't
19 exist under applicable law.

20 MR. PEREZ: Well it is pursuant to applicable law
21 and as a contract doesn't prohibit it, that's one thing,
22 Your Honor. But again we're basically arguing that -- later
23 on --

24 THE COURT: So, hold on. First of all, Mr. Perez
25 this is just a problem having to do it in a Confirmation

1 Order. And once one person gets something, it can effect
2 somebody else's rights where they need to come in because if
3 you have inconsistent paragraphs another Court may interpret
4 those differences as having meaning.

5 So I'm overruling your statement that people can't
6 speak up just because they agreed to something if it's based
7 on another change.

8 Second, let's use the same language we used. If
9 applicable law isn't consistent with the contract, the
10 contract will govern. But if it is not inconsistent with
11 the contract, they can do it under applicable law. The same
12 language we used before.

13 I'm going to overrule the Debtor's objection.

14 MR. PEREZ: Your Honor, one more comment. I
15 understand the Court has ruled. But then we also have to
16 put unless there's no course of dealing to that effect.
17 Because in essence, you know, what is -- if there's a course
18 of dealing under the contract that's one thing.

19 It may not be perfect and it may not be prevented
20 by the contract or prohibited by the contract, but if
21 there's a course of dealing, you know, we also want to be
22 able to make that argument here.

23 So, if we're going to put --

24 THE COURT: You can make that argument under
25 applicable law. But if it's inconsistent with the contract,

1 it may be different. I'm not going to change the language
2 again. Thank you.

3 What do you have next, Mr. Carlson?

4 MR. CARLSON: Your Honor, from there after the BP
5 paragraphs, we go to the Nippon language and 139 through
6 142.

7 I believe there is a -- I think as Ms. Rosen
8 pointed out there was that same and applicable law where we
9 had it differently here. I'm just trying to find where that
10 is, but aside from the one change where we want to conform
11 to the Court's ruling on the BP and XM language, I think
12 we're other wised agreed and we'll let Ms. Moses confirm.

13 THE COURT: Ms. Moses?

14 MS. MOSES: Thank you, Your Honor. That is
15 correct. Right now the Order has all of the changes that we
16 negotiated with the Debtors. To the extent they're going to
17 want to add any other language in based on the recent
18 conversation, we'd just like to see it to make sure it
19 works.

20 THE COURT: Thank you. All right, let's go to
21 McMoRan.

22 MR. CARLSON: There is also a (glitch in the
23 audio) and LLOG in between those two. I don't think -- I
24 don't think there's any open issues from our perspective.

25 The only thing I would say for LLOG is setting a

1 hearing date to review the dispute that I think you got a
2 preview of from Mr. Baay.

3 MR. BAAY: I thought that was set, Your Honor, on
4 the 8th.

5 MR. CARLSON: Oh, my apologies that's right.
6 Yeah.

7 THE COURT: I thought we actually set it and we
8 ought to go ahead and put that date in there.

9 MR. CARLSON: Yes, we'll put that.

10 THE COURT: Thank you. I don't remember when we
11 set it for.

12 MR. BAAY: July 8th, Your Honor.

13 THE COURT: Okay. Thank you. All right.

14 MR. CARLSON: And then from there, Your Honor, we
15 go to the background language which --

16 (Pause in the proceedings.)

17 MR. CARLSON: I think some parties are signed off
18 on and some may not have. So I don't know if you want to
19 just allow folks to -- if there are objecting parties to
20 this language let them speak up.

21 (No audible response.)

22 THE COURT: All right, I don't see anyone seeking
23 to speak about them. Go ahead.

24 MR. CARLSON: Great. Then from there we go to
25 146, the Shell language. Reserving rights with respect to

1 the Shell bond. I believe we're also agreed on this with
2 Shell and Shell's counsel. But Shell's counsel can correct
3 me if I'm wrong about that, Mr. Manns.

4 THE COURT: All right go ahead, please, Shell.

5 (Pause in the proceedings.)

6 THE COURT: Mr. Zuber, your line remains open, go
7 ahead.

8 MR. ZUBER: Thank you, Your Honor. Your Honor, we
9 thought we had an agreement with all parties with respect to
10 the Shell free and clear and there being no impact upon post
11 effective date subrogation rights.

12 And I'm not sure we have that agreement anymore.
13 So I just wanted to be clear for the record just to make
14 some arguments and have the opportunity to create that
15 record.

16 (Pause in the proceedings.)

17 MR. ZUBER: Your Honor, it's our client's view
18 that this Debtor cannot sell the Credit Bid Purchaser free
19 and clear of future subrogation rights. There's no
20 provision of Section 363(f) that would allow that.

21 That's one provide that it can be free and clear
22 of interest, it's applicable non-bankruptcy law permits the
23 sale to the contrary non-bankruptcy law as set forth in
24 the -- by US Supreme Court in Pearlman versus Alliance
25 Insurance Company at 371 US 132.

1 It states that there are a few doctrine that are
2 established than a surety that pays the debts of another is
3 entitled to all the rights of the person he paid to enforce
4 his right to be reimbursed.

5 So I don't think applicable non-bankruptcy law
6 permits the sale free and clear of future rights. Two, such
7 entity contends. The sureties have not consented.

8 Three, the interest is a lien and the price of
9 which such property to be sold is greater than the aggregate
10 value of all liens on the property. Future subrogation
11 rights are not liens.

12 Four, such interest in a bonafide dispute.
13 There's no dispute at this point about subrogation rights
14 which are not yet even arisen.

15 And five, such entity could be compelled to hold
16 legal or equitable proceedings to accept the money
17 satisfaction. By their very nature subrogation rights are
18 equitable rights and therefore there could be no money
19 satisfaction to collect the surety.

20 Your Honor, we respectfully submit that a 363 sale
21 cannot be seen clear of future claims and rights such as
22 subrogation rights. With that proposition, I would
23 respectfully direct the Court's attention to the matter of
24 Mooney Aircraft, 730 F2d 367, Fifth Circuit 1984. Similarly
25 in re Oil Style Plastic 227 BR 797 which is a case out of

1 the Western District of Michigan. And Ninth Avenue Remedial
2 Group versus Alice Chalmers, 195 BR 716.

3 All of which states that a sale free and clear
4 does not include future claims that does not arise until
5 after conclusion of a bankruptcy proceeding.

6 From a factual standpoint, Your Honor, Credit Bid
7 Purchaser will acquire assets and then immediately is
8 required to comply with all applicable laws due to
9 decommissioning on those assets and the leases that it takes
10 over.

11 If they were to default in the future down the
12 road five years from now, the obligee will make the claim
13 against the surety on its bond, on the field bond as a
14 predecessor owner operator.

15 The surety would then have the legal right to step
16 into the shoes of both the principal Fieldwood Energy and
17 the obligee and go against the defaulting entity, here the
18 Credit Bid Purchaser.

19 The Credit Bid Purchaser says that it can and it
20 will perform its legally required decommission obligations.
21 If it takes over the leases it has to perform going forward.

22 If it does not, the sureties are called upon to
23 pay, the sureties must have the rights under non-bankruptcy
24 laws to step into the shoes of the obligee or the principal,
25 including the Federal Government.

1 Subrogation is a creature of equity. The credited
2 purchaser does not perform, equity requires that anyone that
3 steps up and performs the Credit Bid Purchaser obligation be
4 entitled to reimbursement from the Credit Bid Purchaser.

5 This is especially important in this case, Your
6 Honor, because the Credit Bid Purchaser is a special purpose
7 entity. It is not a long term entity.

8 It may pull as much money out of the operation as
9 it can and then default and then file bankruptcy, leaving
10 the surety holding the bag.

11 This Court should require the credited purchaser
12 to set aside funds to decommission. It makes no sense,
13 respectfully, to my clients that the credit bit purchaser
14 could take all the leases, derive revenue, not meet its
15 legal obligations to perform and have a surety pay and do so
16 and leave the surety with no remedy.

17 If the Credit Bid Purchaser wants to acquire these
18 assets, it must accept the burdens along with benefits. The
19 loan proposes decommissioning obligations on lease holders.
20 That obligation cannot be excused under a bankruptcy plan
21 filed by others.

22 And if the entity that seeks to acquire leases
23 from an insolvent entity does not perform its statutory and
24 regulatory obligations, the surety must satisfy those
25 obligations. It must be able to step into the shoes of the

1 obligee and assert rights against the defaulting Credit Bid
2 Purchaser.

3 Very, very briefly, Your Honor, if the sureties
4 lose their subrogation rights, they arguably will lose their
5 rights of contributions from jointly and several liable
6 parties such as predecessors.

7 Which requires, in order to preserve those
8 contribution rights, that the surety stand in its shoes of
9 others, in this case the obligees and the principals.

10 It would be very bad public policies, we submit,
11 Your Honor and may very well destroy surety credit in the
12 Gulf of Mexico. Subrogation is essential the surety market
13 place.

14 If this Court is going to allow an oil and gas
15 company to declare bankruptcy, assign or sale its leases to
16 another party that has then the right to extract oil and gas
17 without the need to comply with the law and take
18 responsibility as set forth in the law for all
19 decommissioning obligations not only would that fly in the
20 face of applicable law, but it would end the surety market
21 for the bonding.

22 It will cripple both smaller operators who rely on
23 surety credit that they would be unable to provide the
24 financial assurance required by law but it would also
25 cripple the ability of current operators to transfer

1 leasehold interest.

2 Bonds were issued on the assumption that the law
3 would be enforced and that those who would choose to extract
4 revenue based upon the bond and obligation, it would be
5 obligated to decommission all structures then in existence
6 and those structures that they install.

7 If they do not want to do that, then they have the
8 right to extract -- then they do not have the right to
9 extract as a matter of statute and regulations.

10 All the sureties are saying is that the Credit Bid
11 Purchaser must comply with the law and if it chooses to
12 acquire leases that does not excuse them from the obligation
13 to comply with the law.

14 And if in the future they fail to -- excuse me
15 Your Honor. And if in the future they fail to do so, and
16 the surety has to pay for the failure to do so, the sureties
17 rights, whatever those rights are, must be preserved.

18 If the secured creditors don't want to comply with
19 the law, they don't have to acquire with these leases and
20 they should be sold to those who are willing to comply.

21 Your Honor, in this particular case the Credit Bid
22 Purchaser essentially is -- the equity is owned by the
23 pre-petition lenders. If those lenders wanted to protect
24 their rights, they could have foreclosed their security
25 interests under non-bankruptcy law and taken over the

1 operations and these assets. In that case, they would not
2 be excused and not be protected from the surtey subrogation
3 rights.

4 The whole point of surety as explained by the
5 Supreme Court is that if a surety sustains a loss, then it's
6 subrogated to the rights of the obligee to reimbursement and
7 all parties who own such reimbursement obligations.

8 And if it acquires leases and doesn't perform
9 statutory obligations in the future, there is no provision
10 of the Plan that should exonerate them from the financial
11 responsibilities that accompany their right to extract
12 revenue -- to extract minerals in the Gulf.

13 Bankruptcy is not a license for assignees to not
14 comply with the law with respect to future activities. That
15 is not the purpose of free and clear dictates of the code.

16 The purpose to free and clear under 363(f), we
17 submit, is to allow a fresh start so that the buyer is not
18 encumbered by the seller, Debtor pre-petition obligations.
19 If there is a pre-petition blanket lien on assets of the
20 Debtors and the Debtor sells to a third party, of course
21 they shouldn't be saddled with the liens and encumbrances on
22 the property that they acquire.

23 But once they acquire that property and they move
24 and they're required to comply with the law, it's
25 inappropriate, Your Honor, that they should be -- get a free

1 pass and not have to be responsible for their legal
2 obligations.

3 So, Your Honor, so to the extent -- and I know
4 you've already ruled on this, -- but to the extent the Court
5 rules against this or my argument has not persuaded the
6 Court to reconsider this issue, we would just ask that the
7 Plan Confirmation Order not contain waivers of rights under
8 Bankruptcy Rule 320(e).

9 We would ask the Court to not stay -- to stay this
10 order for 14 days and not waive that as to Rule 320(e) and
11 if the Court is not inclined to do that, we would ask for a
12 stay pending appeal so that we make sure that we don't have
13 any negative impact of Section 363(m). Thank you, Your
14 Honor.

15 THE COURT: Thank you. Is there any evidence that
16 there was another buyer that would buy and would in fact
17 perform all the P&A and error obligations? Because I don't
18 recall any evidence to that effect.

19 I don't recall your client bidding and they could
20 have as well. Did anyone make the bid that you're talking
21 about under the evidentiary record that's before us?

22 MR. ZUBER: You know, the Credit Bid Purchaser and
23 lenders chose to go down this path. The could have
24 foreclosed their security interests under non-bankruptcy --

25 THE COURT: I'm asking on the evidentiary record

1 that you helped create, is there any evidence that there was
2 anyone that was willing to do what you suggested would be a
3 better alternative?

4 MR. ZUBER: Not that I'm aware of, Your Honor.

5 THE COURT: Okay.

6 MR. ZUBER: But I respectfully submit that that
7 doesn't excuse the requirements to comply with the law.

8 THE COURT: Well, I mean there's just no evidence
9 to support the theory. Here's the problem. The bonds are
10 not being sold free and clear of liens, claims and
11 encumbrances. The assets are being sold free of liens,
12 claims and encumbrances.

13 So the 363 cases that you're worried about, there
14 is no sale of your bond. If your bond was being sold, it
15 would be a completely different question. The bond is not
16 being sold. The assets are being sold.

17 MR. ZUBER: The bonds --

18 THE COURT: I'm making my ruling now. The assets
19 are being sold not the bond. The sureties took credit risk
20 when they issued the bonds. It is not that they are without
21 a principal to pay, they have a principal to pay. That
22 principal they can file a proof of claim against and that's
23 the Fieldwood entity that induced them to issue the bonds.

24 And they will be repaid their prorated share as an
25 unsecured claimant for any allow claim that they file. So I

1 find the argument that the sureties are being stuck to be
2 the same as any other unsecured creditor that says that they
3 are stuck. There is no question in my mind but that the law
4 allows the sale free and clear.

5 With respect to compliance with applicable law,
6 under Midlantic -- I'm going to go back to where we were.
7 The Bankruptcy Code allows the sale of assets free and
8 clear. The Bankruptcy Code allows the abandonment of assets
9 all together.

10 And if the Court had ordered either of those two
11 alternatives without an environmental remedy, the sureties
12 would have had to have paid.

13 Accordingly, once the Government and the exercise
14 of its discretion with respect to its regulatory power and
15 they are the ones charged with protecting the environment
16 not the sureties.

17 Once the Government determines that it does not
18 object to the process that is being followed, the sureties
19 do not have the private right to assert performance under
20 various environmental obligations.

21 I am recognizing that we are, in fact, doing more
22 regulation than we are required to do absent Midlantic.
23 Because without Midlantic, we could just do this. With
24 Midlantic, we give the regulators ability to assure that the
25 environment is protected.

1 With respect to the argument that the market for
2 surety ship will dry up, I'll say a couple things. First,
3 there is zero evidence to support that argument. None. And
4 if there was evidence of that, somebody should have put it
5 in and to the extent that we are going to deal in
6 speculation, you know, this isn't the first time I've ruled
7 this way. I've ruled this way before.

8 And guess what, surety bonds kept coming on into
9 the Gulf of Mexico. There's a new surety bond in this case
10 that's coming in after I've already ruled this way before.

11 I am overruling, once again, a sureties argument
12 that we are going to saddle a purchaser with a pre-effective
13 date error obligation or that they will have the right to
14 assert obligations that existed pre-effective date based on
15 post-effective date ownership.

16 That is part of the exculpation that we are
17 granting and we are doing so because of Midlantic and the
18 need to protect the environment.

19 So the objection is overruled. With respect to
20 motion to stay pending appeal. If your client wants to file
21 an appeal, they may. I have not yet gotten any portion of
22 the Order that has me waive 3020. And when we get down
23 there, I'll listen to the argument there as to whether there
24 ought to be a waiver.

25 If an appeal is filed and if you want a stay

1 pending appeal, I'll take that up and see what kind of
2 evidence you can adduce in support of that.

3 I don't know what it would be. I mean, maybe you
4 can show me some environmental harm that would come about.
5 Your clients have an unsecured claim. They're an unsecured
6 claimant.

7 That's what we're dealing with. But I'm not
8 inclined to rush this through. So we'll see where we go on
9 that.

10 Yeah, go ahead Mr. Zuber.

11 MR. ZUBER: Can I get some clarity on --

12 (Pause in the proceedings.)

13 THE COURT: Go ahead Mr. Zuber.

14 MR. ZUBER: Your Honor, can I get some clarity on
15 the impact of your ruling on contribution rights? I mean,
16 those have nothing to do with the Credit Bid Purchaser. But
17 if our subrogation rights are impaired or go away, we then
18 arguably would be losing our rights to contribution against
19 other joint and several liable parties who are not the
20 Credit Bid Purchaser and are not buying free and clear of
21 liens and claims and interest. So I just want --

22 THE COURT: I am -- it is has not been my intent
23 and I have never suggested that I was effecting contribution
24 rights. What is happening to you is happening over your
25 objection and involuntarily. You are not waiving any rights

1 here. You're asserting them. I'm overruling them.

2 You keep your claim against the principal fully.
3 Presumably that will be vindicated through a proof of claim.
4 But I'm not suggesting that contribution rights as against,
5 for example, co-sureties or co-predecessors wouldn't exist
6 unless there is a provision in the Plan that specifically
7 holds to the contrary. And I don't -- generally there is
8 not.

9 All right.

10 MR. ZUBER: Thank you, Your Honor. I appreciate
11 it.

12 THE COURT: Mr. Manns, let me get your line open.
13 Go ahead, Mr. Manns.

14 MR. MANNS: Good afternoon, Your Honor. Ryan
15 Manns on behalf of Shell Offshore, Inc. Shell is agreeable
16 to paragraphs 145 and 146. Thank you very much.

17 THE COURT: Thank you, Mr. Manns.

18 MR. SCHAIBLE: Your Honor, Damian Schaible, may I
19 be heard briefly?

20 THE COURT: I'm sorry, who is that?

21 MR. SCHAIBLE: This is Damian Schaibel from Davis
22 Polk.

23 THE COURT: Mr. Schaible, go ahead.

24 MR. SCHAIBLE: Sorry, I'm very sorry to do this,
25 Your Honor. It's just your so kind in being -- digging into

1 the words with us.

2 May I ask Your Honor to just go back to paragraph
3 127 whenever convenient now or later?

4 THE COURT: We will. At some point, though, I
5 want to look at the provision Mr. Zuber was concerned about
6 which was whether we were going to do something
7 precipitously that might cut off his clients appellate
8 rights.

9 So let's look at 127, but I don't want to forget
10 to go back there.

11 (Pause in the proceedings.)

12 MR. SCHAIBLE: Yes, Your Honor. This is the
13 XTO -- this is the XTO language that Your Honor was just
14 talking about. The assumption -- assumption and assignment
15 and allocation language that Mr. Perez was talking to you
16 about where we changed the word and -- the and to or.

17 THE COURT: Yes, sir.

18 MR. SCHAIBLE: So, Your Honor, I'm not -- I
19 understand your ruling with respect to what Mr. Perez is
20 raising and I'm not asking for a wording change.

21 But I do want to just, if you don't mind, Your
22 Honor, just discuss on the record what we think this means.
23 The reason that we had put in and was because the concern is
24 there are multiple contracts, right. And some of the
25 contracts the Credit Bid Purchaser is taking, some of the

1 contracts they're not taking.

2 And what we are -- our concern, limited concern,
3 was that there may be an argument that Exxon could step off
4 against or net against one contract that was taken vis-a-vie
5 another contract that wasn't taken.

6 And so we were the and pursuant to applicable law
7 was a reference to, you know, what effectively the effect of
8 this plan would be.

9 I do think that any valid netting solves the
10 problem as long as everyone sort of understands the point.
11 Which is you wouldn't have valid netting even if the
12 contract provides for cross contract netting if one of the
13 contracts was taken and one of the contracts was not taken.

14 And I just wanted to clarify our understanding on
15 the record.

16 THE COURT: Thank you. Look other -- and pursuant
17 to applicable law, you'll notice, does not say pursuant to
18 applicable non-bankruptcy law.

19 So, you know, there is this set off issue under
20 the Bankruptcy Code as to whether you could set off an
21 assumed contract versus an non-assume contract and that's
22 carried forward to another day.

23 MR. SCHAIBLE: Correct, Your Honor, but my worry
24 is that we were talking about changing it or and so then it
25 could be well we are allowed to net under the contracts even

1 if we can't net under -- pursuant to applicable law.

2 And so I just wanted to clarify that if we're
3 going to make that change that it's valid netting under the
4 contracts. And it wouldn't be valid --

5 THE COURT: If it says "or" but you're trying to
6 off set effectively, you know, for lack of a better
7 description, but just sort of the shorthand of pre-petition
8 obligation versus a post-petition obligation.

9 That's part of applicable law too. And so you
10 wouldn't necessarily be able to do it in that sense. So I
11 think we're going to have to wait and see how the facts come
12 in. But I've got your point.

13 MR. SCHAIBLE: Okay, thank you Judge. I
14 appreciate it.

15 THE COURT: Thank you. Let me see I've got
16 another person that wishes to comment. Ms. Rosen, go ahead.

17 MS. ROSEN: Thank you, Your Honor. I agree with
18 the Court's comments. I mean, with the language in there
19 then that issue is just reserved for another day. I just
20 wanted to say on the record. I didn't necessarily agree
21 with everything that Mr. Schaible said, but I do agree that
22 this is probably an issue for another day.

23 THE COURT: Okay, thank you. All right. Hold on.

24 (Pause in the proceedings.)

25 THE COURT: Mr. Carlson?

1 MR. CARLSON: Thank you, Your Honor. From there
2 we go to paragraph 147. And this is intended to capture the
3 Court's ruling yesterday with respect to the Hess -- the
4 instrument Mr. Alaniz has raised.

5 (Pause in the proceedings.)

6 THE COURT: Mr. Alaniz, do you see any problem?
7 Mr. Alaniz, I think I've got you now, go ahead.

8 MR. ALANIZ: I apologize, Your Honor. Omar Alaniz
9 on behalf of Hess Corporation. We actually have negotiated
10 some updates to this language. And I can walk the Court
11 through this or if anybody from Weil team wants to do it, I
12 think we have an agreement on -- they're very minor changes.

13 THE COURT: Look if you-all have agreed on how
14 this works, I don't know that it's any problem at all for me
15 if you want to read it, that's fine. If you just want to
16 put it in the final revision that's fine.

17 Same thing as I've said before. I just want to
18 know that I don't have ambiguity in what it says.

19 MR. ALANIZ: I don't and thanks, Your Honor. I'm
20 happy to walk through it. And we did have one source of
21 contention but I said I would just read a statement on the
22 record and then we can just kind of put that to bed.

23 In that first sentence where it says, "To the
24 extent Hess elects to assume." Instead of possession and
25 operational control, we're going to insert the role of

1 decommissioning party.

2 And then the next sentence where it follows
3 abandoned properties we're going to add the "and any related
4 facilities" right after the abandoned properties reference
5 just to make the sentence flow a little bit better.

6 And then in that same sentence also it has -- the
7 previous language said "properties conveyed to the Debtors
8 by Hess." But that's actually not factually true. There
9 were some intermediate predecessors.

10 So we're changing the language conveyed to the
11 Debtors by Hess to owned by Hess so that's clearer.

12 And then in the next sentence, after "Hess
13 abandoned property" or no I apologize. "Hess abandoned
14 assets to Hess" we're going to insert a comma so that the
15 following phrase "and cooperate in good faith with Hess to
16 ensure such safe and orderly transition,"

17 I'm just trying to make sure that that phrase is
18 separated by commas. And it may just be over lawyering, but
19 the next part of that sentence is very important to us.
20 It's part of this Court's ruling. In compliance with
21 applicable federal law.

22 And I wanted to make sure that that was clear that
23 that modified the earlier part of the sentence which is the
24 safe and orderly transition in compliance with applicable
25 federal law.

1 THE COURT: That's certainly what I intended to
2 say.

3 MR. ALANIZ: And Your Honor I'm sorry?

4 THE COURT: I said that's certainly what I
5 intended to say.

6 MR. ALANIZ: Okay, thank you Your Honor. And then
7 at the very end of the provision, the last three words say
8 have to abandoned properties. I asked to add in connection
9 with such election. And the Debtors were agreeable to that.

10 I had a sentence that followed that provision.
11 The Debtors were not agreeable to add that sentence which
12 was nothing here to limit the Court's ruling on June 23rd
13 with respect to these matters.

14 They are not agreeable to that addition. And I'm
15 okay with that. I just said I would read a statement into
16 the record and then I think we can be done.

17 THE COURT: That's fine. I'm not going to include
18 that language because I want it captured in the written
19 order.

20 MR. ALANIZ: Fair enough, Your Honor. Right after
21 the Court made its ruling yesterday, Mr. Perez appropriately
22 raised his concern that he didn't want the ruling to be
23 construed that the Debtors had to do something else like a
24 safe-out work. And this Court confirmed.

25 And I'm just kind of worried about the opposite.

1 I'm worried that the Debtors could construe this ruling to
2 limit what the Debtors are obligated to do under 5.13 of the
3 Plan. And, of course, also the properties need to be
4 transferred in the safe and orderly manner under any
5 scenario.

6 I just wanted to be clear that Hess hasn't been on
7 these properties for over 15 years and so as a general
8 proposition, we don't think it's safe to send out Hess
9 employees to properties prior to the expiration of the
10 transition period.

11 But we appreciate the Court's ruling in giving
12 Hess some protections in case circumstances present
13 themselves in which Hess may make the election in the
14 interest of health and safety.

15 And the only other item I wanted to clarify is
16 that we don't want the Debtor or the Government to think
17 that anything that's transpired in these bankruptcy cases or
18 this confirmation hearing suggests that Hess intends to take
19 over these properties.

20 There are other predecessors in the chain of title
21 and, you know, for example we've provided the Debtors and
22 the Government with information regarding some orphan
23 liability. We have a dispute on that.

24 But -- and none of these are issues for the Court
25 today. I'm sure all this will be sorted out post effective

1 date when we get the orders from BESSIE, but we just wanted
2 to be clear about these issues on the record.

3 And with that, I think we can move on.

4 THE COURT: Thank you. I appreciate the
5 statement. Mr. Carlson.

6 MR. CARLSON: The Debtor's are fine with the
7 changes that Mr. Alaniz just walked the Court through.

8 THE COURT: Thank you.

9 MR. CARLSON: And Your Honor, from there we go to
10 just the Government provision from 148 thru I believe it's
11 153. My understanding is we are agreed with the Government,
12 but Mr. Balasko can confirm that.

13 (Pause in the proceedings.)

14 MR. BALASKO: Good afternoon, Your Honor, Zack
15 Balasko for the Department of the Interior. That is
16 correct.

17 THE COURT: Thank you.

18 (Pause in the proceedings.)

19 THE COURT: Can you take -- is there anything else
20 or can we go on down to the 320 issue?

21 MR. CARLSON: The only thing that did change was
22 paragraph 149 which is captured --

23 (Pause in the proceedings.)

24 MR. CARLSON: I think we just need to make a
25 conforming change to 513 -- the changes we made to -- sorry.

1 (Pause in the proceedings.)

2 MR. CARLSON: We'll get back to the Court on that,
3 but there's one paragraph that changed here and we'll, of
4 course, run it by the Government to make sure they're
5 agreeable to it.

6 THE COURT: Okay.

7 (Pause in the proceedings.)

8 THE COURT: Where's the waiver of the 14 day
9 language in here?

10 MR. CARLSON: Your Honor, the Debtors are not
11 seeking a waiver.

12 THE COURT: Let me just hear from Mr. Zuber. I
13 hadn't seen it in here, but if there's something in here
14 somewhere in here in the Plan that doesn't preserve your
15 full 14 day appellate right, I do want to know that.

16 Because as I said before I want to look at that
17 and understand why we would do something like that.

18 MR. ZUBER: Yes, Your Honor. I'm trying to find
19 it. I do believe that there is waiver, 14 day status. Let
20 me see if I can -- if Your Honor will bear with me for a
21 second.

22 MR. CARLSON: Your Honor, Mr. Zuber is right.
23 There is a paragraph here on that. I don't think that was
24 the intention.

25 THE COURT: There it is.

1 MR. CARLSON: Yeah, so my apologies there, but we
2 do not --

3 THE COURT: Is there any reason we need that?
4 Let's take out --

5 MR. ZUBER: Texas code?

6 THE COURT: Yep, I'm going to sustain your
7 objection. I haven't seen any evidence that we should waive
8 the 14 day stay and it's 168 is going to be deleted.

9 MR. ZUBER: Thank you, Your Honor.

10 (Pause in the proceedings.)

11 THE COURT: All right, does anyone else wish to
12 raise -- well let me, again. All objections previously
13 raised and overruled remain previously raised and overruled
14 and need not be raised again.

15 But I did promise everyone that if we couldn't
16 work things out in the Confirmation Order, people would
17 still be able to raise objections today.

18 Is there anyone that wishes to raise an objection
19 where we haven't already ruled upon it? And again, all of
20 your objection rights for appellate purposes, I'm not trying
21 to take those away. If you raise an objection, overruled,
22 you don't need to raise it again.

23 I want to know something new that we haven't
24 addressed.

25 (Pause in the proceedings.)

1 THE COURT: All right. Well you're not going to
2 get this done by 5:00. So let's figure out when we can come
3 back tomorrow. And I think the issues expanded some from
4 what I expected them to be.

5 Can we -- will you be ready by 10:00 o'clock in
6 the morning, Mr. Carlson?

7 MR. CARLSON: Yes, Your Honor.

8 THE COURT: Okay, I want to -- let's see. I've
9 got somebody else that has an issue with that. Let's see.

10 UNKNOWN: Your Honor, is there any possibility we
11 could start earlier? Unfortunately I have an unavoidable
12 conflict at 10:30.

13 THE COURT: How early would you-all be ready? Do
14 you want to start at 8:00?

15 UNKNOWN: That would be great. Thank you, Your
16 Honor.

17 THE COURT: All right. Mr. Zuber?

18 MR. ZUBER: Yes, Your Honor. I just wanted to
19 make sure we had the opportunity between now and tomorrow so
20 we can negotiate some language regarding the contribution
21 rights preservation that Your Honor has ruled?

22 THE COURT: Of course. So and you can raise that
23 in the morning if that doesn't get --

24 MR. ZUBER: Thank you.

25 THE COURT: I don't think there's anything there

1 that takes them away and so maybe that's where the focus
2 should be, but we'll see. We'll continue until 8:00 in the
3 morning.

4 I've got from 773-263-2745. Who do we have on the
5 phone.

6 MR. ZEIGER: Yes, Your Honor, good afternoon.
7 It's Jeffrey Zeiger, Kirkland and Ellis on half of Atlantic
8 Martime Services. Can you hear me okay, Your Honor?

9 THE COURT: I can Mr. Zeiger.

10 MR. ZEIGER: Thank you. I promised yesterday if I
11 could just take 30 seconds to close the loop on our very
12 limited objection.

13 As Your Honor is well aware, the substantive
14 issues regarding the effect of the Plan of Reorganization of
15 the dispute between Atlantic and Fieldwood are the before
16 the Court in the Adversary proceeding.

17 There's been a couple of developments the last
18 couple of days that impact the adversary proceeding in what
19 I think is a positive way.

20 As Your Honor saw earlier, the Confirmation Order
21 now provides that to the extent Atlantic is successful on
22 its lien claims against the third parties, either the
23 Debtors or the Credit Bid Purchaser will reimburse the
24 working interest owners.

25 The Court also heard testimony from Mr. Gregg

1 (phonetic) that the Debtors have reserved \$14 million on the
2 lien claims in the event that we are successful.

3 That eliminates some of the concerns the Court
4 heard at the end of our arguments on the motion to dismiss,
5 the motion for summary judgment regarding potential double
6 payment from the working interest owners.

7 Respect for the Plan itself, we voted to reject
8 the Plan and opted out of the leases. We filed a very
9 limited objection to ensure that nothing in the Plan or the
10 related documents would negate out opt out rights from the
11 third party releases.

12 Based on the statements from the Debtors counsel
13 yesterday, principally Ms. Loui, we are comfortable that
14 nothing in the Plan is seeking to negate our opt out of the
15 third party releases.

16 Thank you very much, Your Honor.

17 THE COURT: All right. Thank you. All right, the
18 hearing on confirmation is continued until 8:00 a.m.
19 tomorrow morning.

20 Let's take up the Motion for relief from the stay
21 and see if we want to continue that until 8:00 a.m. as well.

22 (Pause in the proceedings.)

23 MR. ZEIGER: Yeah, I believe Mr. Caden (phonetic)
24 is going to handle that.

25 THE COURT: Thank you. Mr. Caden?

1 (Pause in the proceedings.)

2 THE COURT: Hold on.

3 MR. CADEN: Good afternoon, Your Honor. We're
4 comfortable proceeding with the lift stay motion at the
5 conclusion of tomorrow's confirmation hearing. It is a long
6 week for the Court, 143 parties participating today and
7 we're happy to take it up at the end if that's convenient
8 for the Court.

9 Also happy to do it now if you prefer.

10 THE COURT: No in the morning is fine. I do have
11 an 11:00 o'clock hearing tomorrow that I'll need to be ready
12 for. But beyond that we're good.

13 You're not anticipating needing very long, right,
14 Mr. Caden?

15 MR. CADEN: No, Your Honor, quite frankly I think
16 it will be very short and brief.

17 THE COURT: Thank you. We'll carry it until in
18 the morning. All right. Mr. Carlson I'm not going to
19 finish today since I made fun of you for the way that you
20 handled PowerPoint. It was a masterful job on the
21 Confirmation Order so far.

22 So I know there's still some more work to do. But
23 you're better off being able to handle the Confirmation
24 Order than a PowerPoint. So thank you for all the hard
25 work.

1 MR. CARLSON: Thank you, Your Honor.

2 MR. PEREZ: Your Honor, may I just respond real
3 briefly to Mr. Zeiger. Your Honor, I don't we've waived
4 anything with respect to Atlantic. I think that what we did
5 in our presentation was to indicate that even if we lost
6 there was sufficient amount to satisfy it.

7 So I think we made our evidentiary showing, but I
8 don't think it went to any issue regarding the merits or
9 anything like that regarding Atlantic. So I just wanted to
10 make sure that the Record is clear on that.

11 THE COURT: Thank you. You've both made your
12 statements and they both are in the Record. Thank you.

13 We're in adjournment until 8:00 in the morning. I
14 do have a hearing that starts in 10 minutes. We're going to
15 recess for 10 minutes and we'll return at 4:00 o'clock on
16 the *SpeedCast* hearing.

17 Thank you-all.

18 (The parties thank the Court.)

19 (Proceeding adjourned at 3:50 p.m.)

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1 I certify that the foregoing is a correct
2 transcript to the best of my ability due to the condition of
3 the electronic sound recording of the ZOOM/telephonic
4 proceedings in the above-entitled matter.

5 /S/ MARY D. HENRY

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